JULY, AUG. 1980 NOT PUBLISHED

U7095-1 U A
11/13/80

September 1980
Vol. 4, No. 1

KANSAS BUSINESS REVIEW

In this issue:

Resources and Public Policy
William W. Hambleton

Economic Indicators

Institute for Economic and Business Research, The University of Kansas

KANSAS BUSINESS REVIEW

(USPS 395-310)

September 1980
Vol. 4, No. 1

In This Issue: Page

Resources and Public Policy 1
William W. Hambleton

Kansas in June 4

Economic Indicators 5

Advisory Board of the Institute for Economic and Business Research—Mr. James H. DeCoursey, Jr., Secretary, Kansas Department of Economic Development; Acting Dean Jack Gaumnitz, School of Business; Vice Chancellor Frances Horowitz; Mr. Carl C. Nordstrom, Executive Vice-President, Kansas Association for Commerce and Industry; Professor Anthony Redwood, Director, Institute for Economic and Business Research; Acting Chancellor Delbert Shankel; Professor Thomas J. Weiss, Chairman, Department of Economics.

Editorial Staff—Professor Anthony Redwood, Director; Michael Valk, Editor; Robert H. Glass and Ali Fakhrvad, Research Assistants.

Kansas Business Review is published ten months a year (September-June) by the Institute for Economic and Business Research, 319 Raymond Nichols Hall, The University of Kansas, Lawrence, Kansas 66045. It is designed by the Division of Publications, Office of University Relations.

Manuscripts for publication in *Kansas Business Review* are solicited from readers and should be sent to the editors for consideration.

Opinions expressed in the articles are those of the author(s) and do not necessarily reflect those of The University of Kansas.

Resources and Public Policy

William W. Hambleton

Dr. Hambleton has been the Director of the Kansas Geological Survey since 1970. The following article was first published, in slightly different form, in *The Journal: Kansas Geological Survey*, vol. 1, no. 5, Fall 1979.

Introduction

Individual owners' property rights, deriving from the Magna Charta, were fundamental guarantees of an Englishman's rights and liberties. American colonists, fresh from Parliament's victory of private property rights over royal decree, brought to America a concept of property rights that shaped the actions of colonial legislatures during the 1600s. Americans, for the past 200 years, have considered the concept of property rights, brought by the colonists, to be among their most prized acquisitions from England. The expanse of free land and readily available resources in the West minimized the need for comprehensive land- or resource-use planning and enhanced the concept that ownership of land included the air above and the mineral resources below. The heritage of English law and frontier tradition remains strong, and we vigorously resist government intrusion upon private property by taking or regulation. The United States is virtually the only country in the world where the landowner also owns the mineral rights. The state or the Crown hold all mineral resources in most countries. But one should not become too complacent about this idea, for the federal government holds ownership of approximately 830 million acres, an area equal roughly to that part of the continental United States east of the Mississippi River. Furthermore, an estimated 73 percent of that public land has been withdrawn from mineral exploration by a number of Congressional actions, including the Endangered Species Act and the Wilderness Act. Nevertheless, the concept of private ownership of resources in the United States was well established from English common law.

However, federal and state governments hold powers that constrain private ownership of resources. Specific authority reserved to the federal government under the Constitution derives from the supremacy clause, power to regulate interstate commerce, war powers, the taking of property, and taxing and spending powers. Executive agencies of the federal government have further quasi-legislative functions that require rule making. Agencies are subject to the general principle that Congress can write laws delegating power to them, but cannot delegate power to write laws.

The United States is virtually the only country in the world where the landowner also owns the mineral rights.

The powers of the states include police power relating to health, peace, morals, education, good order, and the general welfare. Conservation of resources falls under the general welfare, health, and safety doctrines, subject to due process and equal protection. Further powers include taxation and procurement as well as the taking of private property by eminent domain and escheat. Extraterritorial powers relate to the state as a representative of its citizens, known as *parens patriae*, and the ability to enter interstate agreements and compacts, subject to the approval of Congress. A review of how public policy developed along different paths with respect to groundwater and to oil and gas is instructive, and this history both illuminates the present need for policies that recognize the common characteristics of these natural resources and identifies a potential problem with the current direction of public policy.

Groundwater

Under police powers, water laws were some of the first laws adopted by the states. These were patterned on the riparian, or common law, doctrine of England. Except for navigational waters, all waters of England were privately held, and each owner of riparian land, that is land along a river, owned the bed of the stream that crossed his land and was entitled to have the stream continue to flow in its natural condition. The owner could make certain uses of the water while it was upon his land, so long as the stream remained undiminished in quantity and quality when it left his land. Eastern states generally adopted this doctrine. A different doctrine of prior appropriation came into being in the semi-arid and arid western states, as an expression of concern for scarcity. Because settlement and development were dependent upon successful farming and mining, riparian doctrine was rejected, and a water right was acquired by diverting water from a water course and applying it to beneficial use. The first persons to appropriate water according to procedures outlined in state statutes, and to put it to a reasonable and beneficial use, had a right superior to any later appropriators. Currently, this right does not exist automatically by virtue of the presence of water flowing upon the land; it is perfected only by use of the water and can be lost by non-use or abandonment. It is a real property right, which can be sold, transferred, mortgaged, or bequeathed, but it differs from a right that attaches to land, for it is a right to use a defined quantity of the resource when available. Thus, it is called a *usufructory right.* There is no absolute ownership in the corpus of the water prior to diversion. **All of the states west of the 95th meridian, which lies approximately at the eastern border of Kansas, have declared the surface waters within their boundaries to be the property of the people of the state.** Interestingly, Congress has consented to this arrangement by ratification of state constitutions.

However, at the time state constitutions and early laws were written, there was little awareness of groundwater, the water occurring in the little spaces between other things below the surface of the ground. Some states adopted the common law or prior appropriation doctrines for groundwater. Other states, including a number of the western states, applied the doctrine of absolute ownership of groundwater, drawing upon the kind of ownership associated with minerals. One western state, Texas, still uses the absolute ownership doctrine of groundwater.

As more knowledge was acquired with respect to groundwater and its fugacious nature, some states modified their statutes to limit landowners to reasonable use and to provide equal rights to a groundwater resource for all other owners of land overlying a common supply. Nebraska holds to this concept.

Some states have adopted the correlative rights doctrine, which requires that the landowner's use must not only be reasonable, but must be correlated with the use of others, particularly during times of water shortage. This doctrine appears to be followed in Oklahoma.

Most western states now use a form of the prior appropriation doctrine. **In Kansas, a prior appropriation doctrine based on common law was followed for surface water and groundwater until 1945, when the Water Appropriation Act was passed.** The Act specifies that the water is dedicated to the people and subject to appropriation by the state for beneficial use. The law was permissive rather than mandatory, and the matter only became a problem if one use impaired another. Recourse could be sought in the courts. Under more recent law, an appropriation right is now mandatory. If one wishes to pump groundwater for other than purely domestic purposes, an application must be filed that specifies the well location, the amount of water to be used, and the beneficial use. The appropriation right is granted if it does not impair another use and if the proposed use is indeed beneficial. However, the statutes do not define impairment, except that there shall be no unreasonable lowering of the water table, nor do they define beneficial use. Failure to use the water can result in loss of the appropriation right.

The average water level in the Ogallala Formation is being lowered about three feet per year, whereas the replacement of the water from rainfall is only about three inches.

Although the concept is based upon a scarcity of water, the appropriation doctrine is satisfactory only as long as demands upon the groundwater are not too great, which is exactly the situation that is developing today. **In Kansas, nearly three million acres are under irrigation, and a large beef and corn industry is based upon that irrigation.** One of the most prolific sources of groundwater is the Ogallala Formation, which also underlies parts of Nebraska, Oklahoma, Colorado, New Mexico, and Texas. In a general way, the average water level in the Ogallala Formation is being lowered about three feet per year, whereas the replacement of the water from rainfall is only about three inches. Public policy is moving in a direction of increased regulation, importation, and water conservation—meaning the avoidance of waste—as the only alternatives to dryland farming. The terms "regulation," "conservation," and "importation" should have a familiar ring to those familiar with the petroleum industry, but the difference is that alternative energy sources are available to replace petroleum, whereas there are no substitutes for water. **In Kansas, groundwater management districts were created under state law for local management of this scarce resource.** The districts have taxing authority based on acreage and amount of groundwater produced. However, there is increasing recognition that groundwater moves across state lines and that there are interconnections between groundwater and surface water. The federal government, under its commerce clause powers, is looking to new national policy options that could enable it to manage this scarcity.

Oil and Gas

Now let's look at public policy with respect to oil and gas, noting that policy developed because of overabundance. Ownership is based on mining law, and the courts have generally agreed that oil and gas in place are minerals and are part of the land. **When oil and gas are brought to the surface and reduced to actual possession, they are considered personal property in Kansas.** This kind of ownership derives from the Rule of Capture, which grew out of the recognition that oil and gas are fugacious. In other words, you only own it if you can get it. The law recognized that oil and gas might move from underneath an owner's land naturally or because of an adjacent landowner's production. During the infancy of the oil and gas industry, beginning in the late 1800s, there was little other public policy. Oil and gas had little use, and they did not flow on the surface. Hence, there was no need for a riparian doctrine. Not enough oil and gas were produced to cause concern about air or water pollution.

The public interest was recognized first during the early 1900s when some states began to forbid waste. However, the public interest really was aroused with the discovery of the great East Texas Field in 1929. So much oil flowed in commerce and on the ground that the price dropped to five cents a barrel. Some industry members even attempted to ameliorate

Declining water tables require more and more energy for the lifting of groundwater for irrigation purposes, and the pumps are driven by oil and gas, which are also in short supply.

economic dislocation by suggesting federal control.[1] Opposition was strong enough that a compromise resulted in the formation of the Interstate Oil Compact Commission in 1935. The Commission had no powers but produced much model legislation at the state level relating to prevention of waste. Not only were conservation practices legislated, but prices were stabilized. Notice again that the public interest related to overabundance rather than scarcity. Following soon were protection of correlative property rights, maximum efficient rates of production, well spacing and unitization, and ratable taking. Protection of threatened fresh water, especially groundwater, occupied the public interest, as did disposal of the large amounts of brine produced with oil and gas.

A depletion allowance, again deriving from mining tax-law, has been characteristic of both state and federal taxes with respect to the oil and gas industry. Philosophically, the depletion allowance recognizes the need for accumulation of capital as a resource is depleted in order that a new resource might be found and developed. Also present in tax law are the severance and ad valorem taxes, which recognize that a resource of value has been produced for resale.

The federal interest originally was constrained to leasing on public lands, to the exercise of the interstate commerce clause with respect to interstate transportation, and to antitrust actions relating to monopoly operations.

In 1906 the Hepburn Act created the Interstate Commerce Commission, wherein pipelines were regulated as common carriers in the interstate transportation of oil and gas. This regulation was relatively innocuous and was concerned largely with approval of pipeline rates. However, the Natural Gas Act of 1938 was much more stringent in that it treated interstate gas pipelines more as public utilities, on the general grounds that a gas pipeline was, in effect, a franchise, and a sole source of supply to the gas distribution system. Under the Act, the Federal Power Commission was given authority to approve interstate pipelines on the basis of cost of service and a limiting return on investment. War powers relating to national security, except during World Wars I and II, were exercised in terms of limiting imports—again an overabundance philosophy—and the creation of naval petroleum reserves.

The Federal Power Commission did not regulate direct pipeline sales, or interfere with local distribution systems, nor did it affect intrastate pipelines.

A major change took place in 1954 in the now famous *Phillips vs. Wisconsin* case. The Supreme Court not only ruled, but also mandated, federal control of natural gas prices at the wellhead for sale to interstate pipelines, again using the public utility concept of cost of funding and production as a basis of price. This decision led to an era of cheap natural gas and its profligate use.

Following the Arab embargo in 1973, the Emergency Petroleum Allocation Act was signed into law under the authority of the interstate commerce clause. Allocation of crude oil and refinery products followed, along with a complex pricing system. The influence of the federal government is now pervasive. These changes have taken place because of transition from domestic overabundance to scarcity. Conservation was foremost in the mind of President Carter when he proposed amendments to the Natural Gas Act that used virtually every constitutional authority of the federal government, including war powers, taxing and spending, taking of property, and extension of the interstate commerce clause to intrastate matters that affect interstate commerce.

Convergence of Public Policy

The common characteristics of groundwater and oil and gas remain concealment below the surface of the land in the little spaces between other things, their fugacious nature, and the special skills required in exploration, drilling, and production. Similar early legal concepts include impairment with respect to groundwater, and correlative property rights with respect to oil and gas. But policy began with different public priorities based on the scarcity of water and the overabundance of oil and gas. Among the other differences, not already discussed, are use of groundwater at the point of capture and little resale of groundwater. However, policy convergence is taking place at a rapid rate in an environment of scarcity for both groundwater and oil and gas. Examples of this convergence are management of a common source of supply by unitization for oil and gas and by groundwater management districts for groundwater; depletion allowance for both; production and severance taxes for both; concern for conservation; and concern for the environment. One sees convergence in the linkages of groundwater and oil and gas. Declining water tables require more and more energy for the lifting of groundwater for irrigation purposes, and the pumps are driven by oil and gas, which are also in short supply. Finally, convergence is taking place in the extension of the authority of the federal government and in the subsequent erosion of the authority of states. This trend is of concern, for there is evidence of the inability of the federal government to manage any large system well, let alone discern local public interest and then articulate this interest in terms of public policy. Political satirist Mark Russell has said that reorganizing the federal government for greater responsiveness is like painting racing stripes on an arthritic camel. Even if Russell is only partly correct, responsible state leadership is greatly needed to reverse this erosion of the state's authority to manage its own resources.

Footnotes

[1] John G. Clark (Department of History, University of Kansas), in a study of federal responses to energy crises during 1919-1924 and 1973-1975, notes that a U.S. crude-oil deficit peaked in 1920 at 88 million barrels, or 17 percent of total consumption. Although importation of Mexican crude closed the gap, President Coolidge appointed the Federal Oil Conservation Board, which promulgated conservation mechanisms including unit management of oil fields, prorationing of daily allowables, and negotiation of implementation measures with producing states. Ironically, the FOCB, which was not abolished until 1934, responded to the vast over-production of the early 1930s by urging with renewed vigor the adoption of the same policies advocated earlier as a hedge against scarcity (personal communication). Professor Clark's study should bring interesting new insights to this little-known period in the history of petroleum production.

Kansas in June

General Business

During the second quarter of 1980, the United States economy sank deeper into recession: real GNP dropped by 9.1 percent, and the unemployment rate rose by 1.4 percent. As was pointed out in the June issue of *Kansas Business Review,* not all sectors of the economy, all geographic regions, or all socioeconomic groups have been hit equally by the recession—so far. For example, the current recession began earlier than January 1980 for the housing and auto industries. Residential investment has been falling since 1978, and auto production has been dropping since the first quarter of 1979. Production in both of these industries fell about 60 percent during the second quarter of 1980, and, combined, these two industries represented more than 70 percent of the second quarter decline in real GNP. Regionally, the north central industrial states have been the hardest hit— particularly Michigan, Indiana, and Ohio. The unemployment rates for these three states had risen to near or above the 10 percent mark by June 1980 (Michigan, 14.0 percent; Indiana, 11.9 percent; and Ohio, 9.7 percent). Within the labor force, one interesting change which the current recession has created has been the increase in male unemployment relative to female unemployment. From the second quarter of 1979 to the second quarter of 1980, adult male unemployment rose from 4.0 percent to 6.4 percent while adult female unemployment only rose from 5.7 to 6.5. Another notable change in the labor market due to the recession is that, while white unemployment rose to 6.8 percent in June, minority unemployment rose to significantly higher levels: black and other —13.6 percent; hispanic—10.2 percent.

As the recession has matured, its effects have spread to the sun belt. For years, the sun belt has profited from its relative immunity to recession; now, these states' isolation is being penetrated by national influences. Unemployment in Texas rose to 6.0 percent in June 1980, and many areas in the state have a growing unemployment problem. By June 1980, the unemployment rate in San Antonia was 8.2 percent, and El Paso had hit 10.0 percent. New Mexico's unemployment rose to 8.1 percent by June 1980. With the current recession spreading to the heretofore thought immune sun belt, a question arises for Kansans: can Kansas hope to remain free from economic deterioration?

One of the fundamental articles of faith concerning the Kansas economy is its freedom from the cyclical behavior of the national economy. Of course, what is thought of as immunity is only relative immunity. In the past two decades, the Kansas economy has been affected by dramatic changes in the national economy. But the point is that the Kansas economy has only once dipped as low as the national economy, and that was in 1971. Thus, the Kansas economy is thought to be insulated from national economic shifts in a way that most industrial states, such as Michigan and Ohio, are not. It is too early to tell the exact force of the effect of the current recession on the Kansas economy, but it is evident that there has been an effect. An early indicator of a change in the direction of the Kansas economy is the increase in initial claims for unemployment. For the first six months of 1978, there were 51,079 initial claims for unemployment; for the first six months of 1979, there were 51,753 initial claims; and for the first six months of 1980, there were 93,598 initial claims. The first six months of 1980 had approximately 80 percent more initial claims for unemployment than the first six months of 1978 or 1979. A second indicator of a change in the Kansas economy is the increase in the statewide unemployment rate in the first six months of 1980. Historically, the state's unemployment rate has jumped up from December to January and then gradually declined until July. However, this year, after the initial seasonal jump, the unemployment rate continued to increase. By June, the statewide unemployment rate was up to 4.6 percent, 1.7 percent more than the unemployment rate for June 1979. This increase in the unemployment rate means that 57.7 percent more persons are unemployed in June 1980 than in June 1979. However, the 4.6 percent unemployment rate for Kansas in June was still significantly below the 7.8 percent unemployment rate for the nation. (See Table I.)

Employment

Since 1971, nonfarm wage and salary employment in Kansas has steadily increased at an annual rate of 4.3 percent. However, over the past six months, employment in this sector has stagnated. In fact, the June 1980 level of nonfarm wage and salary employment (953.7 thousand)was below the June 1979 level (957.6 thousand). This is particularly disturbing in light of the performance of the Kansas

TABLE I
GENERAL BUSINESS INDICATORS

	June 1980	May. 1980	% change	Avg. Prior 6 mos.	Annual Avg. 1979
Manufacturing					
Average Work Week (hrs.)	40.20	39.80	1.0	40.20	40.70
Average Weekly Earnings (dollars)	293.46	287.75	2.0	288.43	240.99
Initial Claims for					
Unemployment Insurance	17,719.00	16,318.00	8.6	14,730.00	8,082.00
New Incorporations					
In-State For Profit	439.00	557.00	– 21.2	429.00	336.00
Out-of-State For Profit	90.00	99.00	– 9.1	95.00	88.00

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

Kansas Secretary of State

economy during the 1973-75 recession. For Kansas, 1975 was the worst of these years with unemployment staying around the five percent level and several times rising slightly above that level. Yet in 1975, nonfarm wage and salary employment increased 1.4 percent above the 1974 level.

As reported by the Research and Analysis Section of the Kansas Department of Human Resources, the two major industrial sectors which experienced the largest declines in employment from June 1979 to June 1980 were manufacturing (– 8.8 percent), specifically durable goods (– 11.3 percent), and contract construction (– 5.7 percent). There is nothing particularly surprising about these figures. Manufacturing, specifically contract construction and the manufacturing of durable goods, is very sensitive to cyclical changes in the economy. Usually, these two sectors are thought of as leading cyclical indicators. The industrial sectors growing the most from June 1979 to June 1980 were mining (6.4 percent), services (5.9 percent), and the federal government (9.4 percent). The growth patterns in these industries represent historical trends which are, for the most part, independent of cyclical variations. There has been a steady growth in mining employment in Kansas since the first energy crisis in 1974, and the growth in service employment and governmental employment has been consistent throughout the 1970s. (See Table II.)

Regional Employment

The regional employment figures follow the pattern of the statewide employment figures: significant increases in the number of unemployed persons and significant increases in the unemployment rate. The two largest areas, the Kansas portion of the Kansas City SMSA and the Wichita SMSA, experienced sharp increases in the number of unemployed and in the unemployment rate. The unemployment problems in the Kansas City SMSA can be traced, in large part, to the layoffs in automobile production. The Wichita SMSA experience is of more interest because of the appearance of a seeming anomaly. Much of the increase in Wichita's unemployment can be traced to the drop in employment in the aircraft and aircraft parts industry. During the decade of the '70s, the aircraft and aircraft parts industry fueled the recovery of the Wichita economy from its depression in 1970-71. However, since the beginning of 1980, employment in the aircraft and aircraft parts industry in Wichita has fallen by more than 4,000. The anomaly is that, on the national level, the same industry has increased its level of employment by 10,000 from December 1979 to June 1980. This apparent contradiction suggests that Wichita's economic problems are being caused by factors more complicated than commonly thought. (See Table III.)

Retail Sales

National personal consumption expenditures declined by 9.4 percent, in real terms, from the first quarter of 1980 to the second quarter. In Kansas, retail sales, as measured by the retail sales tax, declined by 9.9 during the same time. If these state retail sales figures were put in real terms, the decline would approximately double. The natures of these declines were completely different nationally and in Kansas. Nationally, more than one half of the decline was in purchases of automobile and automobile parts, whereas, in Kansas, the sales of automobiles actually increased slightly. Nationally, only clothing and shoes registered gains, while in Kansas retail sales of apparel declined dramatically.

When comparing second quarter 1979 Kansas retail sales figures with second quarter 1980 figures, it must be remembered that the state's retail sales tax laws were changed in July 1979 to exempt retail sales tax collections on public utility sales to residential customers. If public utility sales are ignored, then retail sales grew approximately seven percent over the year. However, this figure ignores the effects of inflation. Putting the figures in real terms, retail sales actually declined about seven percent from the second quarter of 1979 to the second quarter of 1980. (See Table IV.)

County Retail Sales

The county retail sales data for this year's second quarter must be treated cautiously as it is unlikely that the county-by-county figures give an accurate picture of sales activity across the state. As the data now appears, 98 of the state's 105 counties registered declines in sales from first quarter 1980 levels, almost two thirds of which were in a double-digit range. The extremity of these numbers is suspicious, and the possibility exists that delays in the processing of tax receipts during the April-June period account for the depressed levels. Given the current recessionary environment and a vague historical precedent (in 1978, second quarter levels were down—some sharply—in 67 counties), the expectation was that the majority of counties would record declines in sales; however, the near universality of the declines and their sharpness appear unnatural even in this context.

The changes in retail sales levels from the June 1979 quarter to the June 1980 quarter also suggest difficulties with the data. Here as well, the contrasts are frequently extreme, and the seemingly random play of double-digit increases and decreases, small gains and small losses does not demonstrate any coherent pattern or trend in sales activity. Only until the county retail sales data appear more secure, will Kansans be able to determine more precisely the behavior of the county sales in the first half of 1980. (See Table V.)

TABLE II
NON-FARM WAGE AND SALARY EMPLOYMENT BY PLACE OF WORK

(thousands)

Industry	June 1980	May 1980	% change	June 1979	% change
All Industries	953.7	955.5	– 0.2	957.6	– 0.4
Manufacturing	183.1	187.2	– 2.2	200.8	– 8.8
Durable Goods	117.5	121.5	– 3.3	132.4	– 11.3
Stone, Clay, Glass	8.7	8.8	– 1.1	9.5	– 8.4
Primary Metals	4.0	4.0	0.0	4.3	– 7.0
Fabricated Metal Products	11.2	12.2	– 8.2	14.2	– 21.1
Machinery (incl. elec.)	35.4	36.3	– 2.5	38.1	– 7.1
Transportation Equipment	46.5	48.9	– 4.9	53.6	– 13.2
Aircraft & Parts	41.6	43.3	– 3.9	43.0	– 3.3
Other Durable Goods	11.7	11.3	3.5	12.7	– 7.9
Nondurable Goods	65.6	65.7	– 0.2	68.4	– 4.1
Food & Kindred Products	22.6	22.0	2.7	23.0	– 1.7
Meat Products	8.9	8.5	4.7	8.6	3.5
Apparel	3.6	3.7	– 2.7	3.8	– 5.3
Printing & Publishing	16.9	17.2	– 1.7	17.1	– 1.2
Chemicals	8.7	8.8	– 1.1	8.5	2.4
Petroleum & Coal	4.7	4.6	2.2	4.6	2.2
Other Nondurable	9.1	9.4	– 3.2	11.4	– 20.2
Mining	15.0	14.7	2.0	14.1	6.4
Oil & Gas Extraction	12.7	12.4	2.4	11.6	9.5
Contract Construction	52.5	51.3	2.3	55.7	– 5.7
Trans., Comm., Elec., Gas	66.1	65.4	1.1	66.7	– 0.9
Wholesale Trade	66.1	64.4	2.6	64.7	2.2
Retail Trade	161.1	162.7	– 1.0	163.1	– 1.2
Finance, Insurance, Real Estate	47.2	46.6	1.3	46.3	1.9
Services	174.5	172.6	1.1	164.8	5.9
Federal Government	29.1	28.7	1.4	26.6	9.4
State & Local Government	159.0	161.9	– 1.8	154.8	2.7

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS

Area	June 1980	May 1980	% change	June 1979	% change
Kansas—Statewide					
Civilian Labor Force	1,250,800	1,233,100	1.4	1,241,200	0.8
Employed	1,193,100	1,183,400	0.8	1,204,600	– 1.0
Farm	81,100	69,400	16.9	83,100	– 2.4
Non-Farm	1,112,000	1,114,000	– 0.2	1,121,500	– 0.8
Unemployed	57,700	49,700	16.1	36,600	57.7
Rate	4.6%	4.0%		2.9%	
Lawrence SMSA					
Civilian Labor Force	34,400	35,800	– 3.9	32,700	5.2
Employed	32,700	34,500	– 5.2	31,600	3.5
Farm	1,000	900	11.1	1,100	– 9.1
Non-Farm	31,700	33,600	– 5.7	30,500	3.9
Unemployed	1,700	1,300	30.8	1,100	54.5
Rate	4.9%	3.6%		3.4%	
Kansas Portion of Kansas City SMSA					
Civilian Labor Force	276,700	271,700	1.8	272,200	1.7
Employed	262,100	259,100	1.2	262,900	– 0.3
Farm	1,800	1,500	20.0	1,800	0.0
Non-Farm	260,300	257,600	1.0	261,100	– 0.3
Unemployed	14,600	12,600	15.9	9,300	57.0
Rate	5.3%	4.6%		3.4%	
Topeka SMSA					
Civilian Labor Force	98,400	97,500	0.9	97,800	0.6
Employed	93,300	93,200	0.1	94,000	– 0.7
Farm	2,400	2,000	20.0	2,400	0.0
Non-Farm	90,900	91,200	– 0.3	91,600	– 0.8
Unemployed	5,100	4,300	18.6	3,800	34.2
Rate	5.2%	4.4%		3.9%	
Wichita SMSA					
Civilian Labor Force	230,300	229,400	0.4	224,900	2.4
Employed	219,400	220,200	– 0.4	218,100	0.6
Farm	3,300	2,800	17.9	3,300	0.0
Non-Farm	216,100	217,400	– 0.6	214,800	0.6
Unemployed	10,900	9,200	18.5	6,800	60.3
Rate	4.7%	4.0%		3.0%	

Farm Prices

The prices farmers received for field crops in June were all below the June 1979 prices. However, in the last three months, the prices farmers received for wheat, corn, sorghum, and soybeans have gradually increased. The prices farmers received for livestock and livestock products are significantly lower in June 1980 than a year earlier except for the prices of lambs and milk. In general, for the past year, farmers have faced a declining price structure. Moreover, the prices paid by farmers have increased from June 1979 to June 1980 except for soybean meal and hog concentrate. (See Table VI.)

Financial Activity

Since last fall, the Federal Reserve has altered the focus of its administration of monetary policy by concentrating on a steady growth in the money supply rather than on fixing interest rates. Despite the criticism of some monetarists, the Federal Reserve has, in general, stuck to this course. Interest rates shot up and then down and have now stabilized slightly above the underlying perceived inflationary rate. In Kansas, the level of loan activity dropped substantially the first quarter of 1980 but then returned to nearly the same level as the year previous in the second quarter. However, the three major banking centers in Kansas did not return to the level of loan activity a year ago: Kansas City was down about seven percent, Topeka was down about six percent, and Wichita was down about five and a half percent. In each of the regional banking centers, and statewide, the loan-to-deposit-ratio was substantially lower in June 1980 than in June 1979. This was due, in part, to the lower level of loan activity in the regional banking centers, but the primary cause was the increase in time and savings deposits, except in Topeka. (See Table VII.)

Savings and loan institutions continue to face a depressed situation. Mortgage loans made in June 1980

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS (Continued)

Area	June 1980	May 1980	% change	June 1979	% change
Barton Co.—Great Bend Area					
Civilian Labor Force	18,075	17,950	0.7	18,200	– 0.7
Employed	17,500	17,500	0.0	17,775	– 1.5
Farm	1,200	1,025	17.1	1,225	– 2.0
Non-Farm	16,300	16,475	– 1.1	16,550	– 1.5
Unemployed	575	450	27.8	425	35.3
Rate	3.2%	2.5%		2.3%	
Crawford Co.—Pittsburg Area					
Civilian Labor Force	16,800	16,850	– 0.3	16,725	0.4
Employed	15,975	16,150	– 1.1	16,075	– 0.6
Farm	1,075	925	16.2	1,100	– 2.3
Non-Farm	14,900	15,225	– 2.1	14,975	– 0.5
Unemployed	825	700	17.9	650	26.9
Rate	4.9%	4.2%		3.9%	
Lyon Co.—Emporia Area					
Civilian Labor Force	17,650	17,900	– 1.4	17,525	0.7
Employed	16,875	17,250	– 2.2	17,150	– 1.6
Farm	1,050	900	16.7	1,075	– 2.3
Non-Farm	15,825	16,350	– 3.2	16,075	– 1.6
Unemployed	775	650	19.2	375	106.7
Rate	4.4%	3.6%		2.1%	
Montgomery Co.—Coffeyville Area					
Civilian Labor Force	21,150	20,975	0.8	22,150	– 4.5
Employed	19,775	19,925	– 0.8	21,600	– 8.4
Farm	775	650	19.2	775	0.0
Non-Farm	19,000	19,275	– 1.4	20,825	– 8.8
Unemployed	1,375	1,050	31.0	550	150.0
Rate	6.5%	5.0%		2.5%	
Reno Co.—Hutchinson Area					
Civilian Labor Force	32,325	32,050	0.9	32,275	0.2
Employed	30,775	30,725	0.2	31,425	– 2.1
Farm	1,700	1,450	17.2	1,750	– 2.9
Non-Farm	29,075	29,275	– 0.7	29,675	– 2.0
Unemployed	1,550	1,325	17.0	850	82.4
Rate	4.8%	4.1%		2.6%	
Riley Co.—Manhattan Area					
Civilian Labor Force	21,600	22,425	– 3.7	21,025	2.7
Employed	20,500	21,450	– 4.4	20,350	0.7
Farm	1,350	1,150	17.4	1,375	– 1.8
Non-Farm	19,150	20,300	– 5.7	18,975	0.9
Unemployed	1,100	975	12.8	675	63.0
Rate	5.1%	4.3%		3.2%	
Saline Co.—Salina Area					
Civilian Labor Force	26,950	26,450	1.9	26,975	– 0.1
Employed	25,475	25,200	1.1	26,125	– 2.5
Farm	900	775	16.1	925	– 2.7
Non-Farm	24,575	24,425	0.6	25,200	– 2.5
Unemployed	1,475	1,250	18.0	800	84.4
Rate	5.5%	4.7%		3.0%	

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

were 63.3 percent lower than the previous year, although the slight increase in mortgage loans made from May to June 1980 brightens the picture slightly. Net new savings in June 1980 were down 89.6 percent from the previous year, and there was a 74.8 percent decline from May to June of this year. With the prospects for the housing industry looking better in the second half of 1980, due in large part to the fact that the housing industry is usually a leader of the economy out of a recession, the savings and loan institutions should fare better in the near future than they have recently. (See Table VIII.)

Consumer Prices

The Kansas City consumer price index for the two-month period ending in June 1980 shows that prices for all items rose 1.6 percent. The increases in prices ranged from a high of 3.1 percent for housing to a low of 0.2 percent for transportation. The remaining gains in prices were in a range from 1.3 percent for other goods and services to 0.5 percent for entertainment. Apparel and upkeep prices fell by 2.1 percent.

Over the year, prices in Kansas City for all items rose by 12.9 percent. As they have all year, transportation and housing prices led the increases (16.7 percent and 15.0 percent, respectively). All other items increased in price as well, ranging from a high of 11.3 percent for medical care to a low of 3.1 for apparel and upkeep. (See Table IX.)

TABLE IV
RETAIL SALES SUBJECT TO SALES TAX BY BUSINESS CLASSIFICATION

(millions of dollars)

Business Classification	June * 1980	Mar.* 1980	% change	June* 1979	% change
Apparel	24.6	36.5	– 32.6	22.7	8.4
Automotive	181.8	181.2	0.3	196.5	– 7.5
Food	232.1	248.8	– 6.7	208.4	11.4
Furniture	38.5	48.0	– 19.8	36.8	4.6
General Merchandise	131.3	186.3	– 29.5	116.7	12.5
Lumber and Building Materials	75.4	86.8	– 13.1	72.2	4.4
Professional and Personal Service	38.1	42.2	– 9.7	33.0	15.5
Public Utilities	53.4	45.5	17.4	111.9	– 52.3
Unclassified	98.1	98.1	0.0	87.2	12.5
Farm and Garden Products	0.9	1.0	– 10.0	0.8	12.5
Manufacturing and Trading	73.8	77.7	– 5.0	59.8	23.4
Miscellaneous	2.5	2.6	– 3.8	1.5	66.7
Total	950.9	1055.3	– 9.9	948.0	0.3

* Monthly Average for Prior Three Months

Source: Research and Planning Section
Kansas Department of Revenue

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY

(thousands of dollars)

County	Sales * June 1980	Sales * Mar. 1980	Change From Mar. 1980 (%)	Sales * June 1979	Change From June 1979 (%)
Allen	4,549	5,457	– 16.6	4,737	– 3.9
Anderson	2,106	2,490	– 15.4	2,225	– 5.4
Atchison	4,243	4,981	– 14.8	4,479	– 5.3
Barber	2,484	2,515	– 1.2	2,159	15.0
Barton	25,052	25,549	– 1.9	18,921	32.4
Bourbon	5,135	5,561	– 7.7	5,073	1.2
Brown	3,035	3,527	– 13.9	3,036	– 0.0
Butler	14,035	15,474	– 9.3	11,746	19.5

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY (Continued)
(thousands of dollars)

County	Sales * June 1980	Sales * Mar. 1980	Change From Mar. 1980 (%)	Sales * June 1979	Change From June 1979 (%)
Chase	677	724	– 6.5	688	– 1.5
Chautauqua	1,134	1,152	– 1.6	933	21.6
Cherokee	3,852	4,381	– 12.1	3,772	2.1
Cheyenne	1,188	1,534	– 22.5	1,161	2.4
Clark	539	640	– 15.8	529	1.9
Clay	2,699	3,332	– 19.0	2,897	– 6.8
Cloud	4,203	4,957	– 15.2	3,878	8.4
Coffey	2,128	2,358	– 9.8	1,921	10.8
Comanche	558	595	– 6.2	536	4.0
Cowley	12,536	14,210	– 11.8	11,165	12.3
Crawford	11,235	12,677	– 11.4	10,732	4.7
Decatur	1,335	1,564	– 14.6	1,357	– 1.6
Dickinson	5,112	6,027	– 15.2	5,147	– 0.7
Doniphan	1,561	1,700	– 8.2	1,691	– 7.7
Douglas	20,060	23,422	– 14.4	19,997	0.3
Edwards	992	1,061	– 6.5	908	9.3
Elk	551	673	– 18.1	679	– 18.8
Ellis	11,630	13,624	– 14.6	11,142	4.4
Ellsworth	1,587	1,776	– 10.6	1,606	– 1.2
Finney	14,573	16,035	– 9.1	13,098	11.3
Ford	12,510	15,206	– 17.7	12,112	3.3
Franklin	5,873	7,222	– 18.7	6,068	– 3.2
Geary	7,858	8,469	– 7.2	7,862	– 0.0
Gove	1,243	1,294	– 4.0	1,208	2.9
Graham	1,469	1,647	– 10.8	1,413	3.9
Grant	3,489	3,726	– 6.4	2,759	26.5
Gray	1,579	1,710	– 7.6	1,480	6.7
Greeley	547	480	14.1	508	7.6
Greenwood	2,623	2,760	– 5.0	2,172	20.7
Hamilton	705	744	– 5.2	686	2.8
Harper	2,561	3,008	– 14.9	2,491	2.8
Harvey	8,666	10,440	– 17.0	8,102	7.0
Haskell	936	990	– 5.4	940	– 0.4
Hodgeman	322	397	– 18.9	383	– 15.9
Jackson	1,978	2,307	– 14.3	2,258	– 12.4
Jefferson	2,286	3,276	– 30.2	2,365	– 3.4
Jewell	807	760	6.2	942	– 14.4
Johnson	112,582	132,913	– 15.3	104,104	8.1
Kearny	644	689	– 6.5	731	– 11.9
Kingman	2,513	2,591	– 3.0	2,124	18.3
Kiowa	1,462	1,375	6.3	1,135	28.7
Labette	6,759	8,261	– 18.2	7,010	– 3.6
Lane	634	773	– 18.0	681	– 7.0
Leavenworth	10,505	11,839	– 11.3	10,519	– 0.1
Lincoln	928	1,035	– 10.4	981	– 5.4
Linn	1,546	1,782	– 13.2	1,553	– 0.4
Logan	1,426	1,649	– 13.5	1,444	– 1.3
Lyon	12,577	13,900	– 9.5	11,987	4.9
McPherson	8,777	10,203	– 14.0	8,732	0.5
Marion	3,304	3,958	– 16.5	3,289	0.5
Marshall	3,442	4,066	– 15.3	3,706	– 7.1
Meade	1,373	1,433	– 4.2	1,239	10.8
Miami	5,462	6,022	– 9.3	4,711	15.9
Mitchell	3,274	3,731	– 12.3	3,050	7.3
Montgomery	14,932	15,829	– 5.7	13,487	10.7

* Monthly Average for Prior Three Months

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY (Continued)
(thousands of dollars)

County	Sales * June 1980	Sales * Mar. 1980	Change From Mar. 1980 (%)	Sales * June 1979	Change From June 1979 (%)
Morris	1,333	1,411	– 5.5	1,214	9.8
Morton	1,165	1,275	– 8.6	1,035	12.6
Nemaha	3,038	3,574	– 15.0	2,643	14.9
Neosho	7,488	8,418	– 11.0	6,347	18.0
Ness	1,798	1,890	– 4.8	1,451	24.0
Norton	1,853	2,237	– 17.2	1,960	– 5.5
Osage	2,855	3,114	– 8.3	2,750	3.8
Osborne	1,660	1,679	– 1.1	1,624	2.2
Ottawa	1,115	1,165	– 4.3	1,073	3.9
Pawnee	2,649	3,107	– 14.7	2,702	– 1.9
Phillips	2,210	2,557	– 13.6	2,212	– 0.1
Pottawatomie	4,142	4,384	– 5.5	3,658	13.2
Pratt	4,989	5,397	– 7.6	4,314	15.6
Rawlins	887	965	– 8.1	835	6.2
Reno	26,457	31,479	– 16.0	24,737	7.0
Republic	1,978	2,351	– 15.8	2,091	– 5.4
Rice	3,015	3,118	– 3.3	2,973	1.4
Riley	13,668	16,461	– 17.0	13,534	1.0
Rooks	3,787	3,601	5.1	2,869	32.0
Rush	1,182	1,337	– 11.6	1,099	7.6
Russell	4,930	5,483	– 10.1	3,808	29.4
Saline	24,460	28,070	– 12.9	23,791	2.8
Scott	2,381	2,475	– 3.8	2,278	4.5
Sedgwick	182,833	208,570	– 12.3	167,077	9.4
Seward	11,761	12,319	– 4.5	10,081	16.7
Shawnee	65,677	74,437	– 11.8	63,984	2.6
Sheridan	998	1,104	– 9.6	970	2.9
Sherman	3,418	4,056	– 15.7	3,494	– 2.2
Smith	1,524	1,758	– 13.3	1,580	– 3.6
Stafford	1,506	1,676	– 10.1	1,385	8.7
Stanton	656	778	– 15.7	570	15.0
Stevens	1,478	1,521	– 2.8	1,292	14.3
Sumner	5,451	6,645	– 18.0	5,252	3.8
Thomas	4,006	4,499	– 10.9	3,807	5.2
Trego	1,325	1,224	8.3	1,280	3.5
Wabaunsee	805	995	– 19.1	985	– 18.3
Wallace	553	551	0.3	596	– 7.3
Washington	1,806	2,229	– 19.0	2,020	– 10.6
Wichita	886	855	3.6	873	1.5
Wilson	2,455	2,745	– 10.6	2,525	– 2.8
Woodson	821	1,065	– 22.9	870	– 5.6
Wyandotte	52,985	60,520	– 12.5	54,814	– 3.3

Source: Tax Research Section
Kansas Department of Revenue

TABLE VI
PRICES RECEIVED BY KANSAS FARMERS
(dollars)

Items	June 1980	May 1980	% change	June 1979	% change	Annual Avg. 1979
Prices Received by Farmers						
Field Crops						
Wheat (bu.)	3.48	3.44	1.2	3.72	– 6.5	3.49
Corn (bu.)	2.59	2.49	4.0	2.77	– 6.5	2.48

TABLE VI
PRICES RECEIVED BY KANSAS FARMERS (Continued)

(dollars)

Items	June 1980	May 1980	% change	June 1979	% change	Annual Avg. 1979
Sorghum (cwt.)	4.00	3.92	2.0	4.25	– 5.9	3.75
Hay (ton)	43.00	43.50	– 1.1	48.00	– 10.4	50.17
Soybeans (bu.)	5.73	5.45	5.1	7.22	– 20.6	6.72
Livestock & Products						
Beef Cattle (cwt.)	61.60	61.20	0.7	68.70	– 10.3	67.82
Calves (cwt.)	75.00	71.30	5.2	91.10	– 17.7	87.14
Hogs (cwt.)	32.60	27.60	18.1	40.20	– 18.9	41.83
Lambs (cwt.)	65.60	62.60	4.8	64.10	2.3	66.18
Sheep (cwt.)	23.00	28.00	– 17.9	29.90	– 23.1	21.15
Milk (cwt.)	12.40	12.60	– 1.6	11.40	8.8	12.24
Prices Paid by Farmers						
Soybean Meal (cwt.)	10.50	10.50	0.0	12.50	– 16.0	12.33
Bran (cwt.)	8.10	8.30	– 2.4	7.50	8.0	7.55
Beef Conc. (cwt.)	9.70	9.70	0.0	9.50	2.1	9.61
16% Dairy Feed (ton)	168.00	162.00	3.7	152.00	10.5	154.50
Hog Conc. (cwt.)	13.00	13.00	0.0	14.00	– 7.1	13.83
Laying Feed (ton)	184.00	184.00	0.0	177.00	4.0	180.75

Source: Kansas Crop and Livestock Reporting Service
Kansas State Board of Agriculture

U.S. Department of Agriculture

TABLE VII
COMMERCIAL BANKING ACTIVITY

(millions of dollars)

	June 1980		May 1980		% change		June 1979		% change	
	All Banks	Member Banks	All Banks	Member Banks	All Banks	Member Banks	All Banks	Member Banks	All Banks	Member Banks
Kansas—Statewide										
Loans	7,693	3,524	7,611	3,553	1.1	– 0.8	7,756	3,553	– 0.8	– 0.8
Demand Deposits	3,955	1,934	3,723	1,877	6.2	3.0	3,975	1,944	– 0.5	– 0.5
Time & Saving Deposits	8,863	3,906	8,787	3,881	0.9	0.6	7,876	3,471	12.5	12.5
Loan-to-Deposit Ratio	60.0%	60.3%	60.8%	61.7%			65.4%	65.6%		
Kansas City (Wyandotte)										
Loans	445	201	459	207	– 3.1	– 2.9	479	216	– 7.1	– 6.9
Demand Deposits	231	106	218	100	6.0	6.0	232	106	– 0.4	0.0
Time & Saving Deposits	607	220	607	220	0.0	0.0	550	199	10.4	10.6
Loan-to-Deposit Ratio	53.1%	61.7%	55.6%	64.7%			61.3%	70.8%		
Topeka (Shawnee)										
Loans	491	259	499	264	– 1.6	– 1.9	523	276	– 6.1	– 6.2
Demand Deposits	290	178	291	179	– 0.3	– 0.6	298	183	– 2.7	– 2.7
Time & Saving Deposits	508	264	551	287	– 7.8	– 8.0	509	265	– 0.2	– 0.4
Loan-to-Deposit Ratio	61.5%	58.6%	59.3%	56.7%			64.8%	61.6%		
Wichita (Sedgwick)										
Loans	1,175	659	1,185	665	– 0.8	– 0.9	1,243	697	– 5.5	– 5.5
Demand Deposits	831	490	784	462	6.0	6.1	767	452	8.3	8.4
Time & Saving Deposits	1,230	582	1,189	563	3.4	3.4	1,095	518	12.3	12.4
Loan-to-Deposit Ratio	57.0%	61.5%	60.1%	64.9%			66.8%	71.9%		

Source: Research Department
Federal Reserve Bank of Kansas City

Institute for Economic and Business Research

TABLE VIII
SAVINGS AND LOAN ACTIVITY

(thousands of dollars)

	June 1980	May 1980	% change	June 1979	% change
Net New Savings	5,200	20,600	– 74.8	50,200	– 89.6
Mortgage Loans Made	50,200	41,300	21.5	136,900	– 63.3

Source: Federal Home Loan Bank of Topeka

TABLE IX
CONSUMER PRICES

Kansas City

Consumer Price Index, June 1980

	All Urban Consumers (CPI-U)			Wage Earners and Clerical Workers (CPI-W)		
		Percent change from			Percent change from	
	INDEX 1967 = 100	2 months ago	1 year ago	INDEX 1967 = 100	2 months ago	1 year ago
ALL ITEMS	247.8	1.6	12.9	246.3	1.7	12.8
Food and Beverages	252.4	1.0	8.0	246.8	1.0	7.9
Food	258.6	1.1	8.1	252.8	1.0	7.8
Food at home	251.1	1.0	7.1	247.2	0.9	7.3
Cereals & bakery products	261.9	0.2	17.4	253.8	1.1	16.4
Meats, poultry, fish & eggs	226.5	-1.9	-2.1	227.8	-1.6	-2.5
Dairy products	234.9	2.0	6.7	233.5	1.5	6.3
Fruits and vegetables	263.4	5.7	11.0	248.0	4.6	12.2
Other foods at home	293.9	1.8	11.5	291.6	1.8	13.5
Food away from home	280.9	1.2	10.2	270.9	1.2	9.1
Alcoholic beverages	193.5	0.7	5.4	190.1	0.9	7.7
Housing	264.6	3.1	15.0	261.9	3.4	14.2
Shelter	288.7	1.3	16.8	285.6	1.4	16.1
Rent (residential)	162.4	4.1	8.5	162.4	4.1	8.5
Other rental costs	NA	NA	NA	NA	NA	NA
Homeownership	334.4	0.9	18.3	330.3	1.1	17.5
Fuel & other utilities	265.3	14.8	10.7	267.5	14.7	11.3
Fuels	355.3	19.9	13.9	357.0	19.3	14.6
Fuel oil, coal, & bottled gas*	166.1	0.2	40.2	176.0	0.2	44.0
Gas (piped) & electricity	354.6	21.1	12.8	354.6	21.1	12.8
Household furnishings & oper.	201.5	1.9	11.3	197.4	2.0	9.3
Apparel & Upkeep	181.0	-2.1	3.1	174.9	-1.9	3.2
Men's & boys' apparel	194.6	-1.9	4.5	196.5	-2.0	7.6
Women's & girls' apparel	166.0	-2.2	1.2	143.2	-5.3	-7.3
Footwear	185.6	-2.1	-0.5	190.6	-1.0	7.1
Transportation	245.6	0.2	16.7	247.5	0.2	17.0
Private transportation	248.0	0.1	16.5	250.1	0.1	17.0
Public transportation	194.6	2.3	20.3	190.4	2.2	17.7
Medical Care	259.8	1.0	11.3	258.4	0.4	10.1
Medical care services	281.3	0.6	11.5	279.4	0.1	9.8
Entertainment	187.2	0.5	10.2	199.1	1.2	16.8
Other Goods & Services	216.1	1.3	8.8	220.9	2.0	8.3
ALL ITEMS (1957-59 = 100)	294.2			292.4		

* June 1978 = 100

U 7095-1 (u)

October
November 1980
Vol. 4 No. 2-3

KANSAS BUSINESS REVIEW

In this issue:

A Labor Market Profile of Topeka
Leslie Nay

The Kansas Economy

Economic Indicators

Institute for Economic and Business Research, The University of Kansas

KANSAS BUSINESS REVIEW

(USPS 395-310)

October-November 1980
Vol. 4, No. 2-3

In This Issue:

	Page
A Labor Market Profile of Topeka Leslie Nay	1
The Kansas Economy	6
Economic Indicators	9

Advisory Board of the Institute for Economic and Business Research—Mr. James H. DeCoursey, Jr., Secretary, Kansas Department of Economic Development; Acting Dean Jack Gaumnitz, School of Business; Vice Chancellor Frances Horowitz; Mr. Carl C. Nordstrom, Executive Vice-President, Kansas Association for Commerce and Industry; Professor Anthony Redwood, Director, Institute for Economic and Business Research; Acting Chancellor Delbert Shankel; Professor Thomas J. Weiss, Chairman, Department of Economics.

Editorial Staff—Professor Anthony Redwood, Director; Michael Valk, Editor; Janet E. Majure, Associate Editor; Robert H. Glass and Ali Fakhrvad, Research Assistants.

Kansas Business Review is published ten months a year (September-June) by the Institute for Economic and Business Research, 319 Raymond Nichols Hall, The University of Kansas, Lawrence, Kansas 66045. It is designed by the Division of Publications, Office of University Relations.

Manuscripts for publication in *Kansas Business Review* are solicited from readers and should be sent to the editors for consideration.

Opinions expressed in the articles are those of the author(s) and do not necessarily reflect those of The University of Kansas.

A Labor Market Profile of Topeka

Leslie Nay

Leslie Nay completed her Master of Science in Business at the University of Kansas in September 1980 with a specialization in human resources. She is currently employed by the Private Industry Council of Kansas City, Missouri where she is working on a labor-market survey of the Kansas City metropolitan area. The following article is adapted from Ms. Nay's master's thesis.

Acknowledgments

The author acknowledges the financial support of the Human Resources Program at the University of Kansas. The author is also grateful to Professor Morris M. Kleiner for his valuable assistance in this research effort.

Introduction

This article reports the findings and implications of a study that investigated the relationship between the demand for and the supply of labor in Topeka *and* the level of wages and employment in the city. The study's primary purpose was to test the competitive theory of the labor market which asserts that the amount of compensation for labor and the rate of employment are determined by the labor supply and demand conditions within the specific market. To accomplish this purpose, an econometric model based on the forces affecting supply and demand was developed and then applied to the Topeka labor market. In addition, two other factors—identified as institutional factors, e.g., the wage level in Kansas City and the percent of union non-agricultural employment—were analyzed to assess their influence, if any, in this market. (For a more detailed account of the model, please see the technical appendix.)

That such a study is important to all Kansans, and not just to Topeka residents who have, of course, a vested interest in their city's economic well-being, can be argued on the basis of two related reasons. First, the application of the methods of mathematical statistics to the problems of economics—the discipline of econometrics—for a substate area is shown by this study to be a reasonable tool that city-planners and policy-makers can use to both analyze and, to a degree, predict the behavior of the labor market in their area. Thus, upon use of this tool, city planners should be able to implement policies directly relevant to their particular situations—policies that redress weaknesses in the labor market and/or that exploit the market's strengths as they are identified by this kind of research. Second, the overall issue of employment levels in Kansas is highly significant. Historically, Kansas has had lower unemployment rates than the nation, which indicates that the state and substate areas like Topeka operate within a relatively "tight" labor market. Although the economic advantages of a low unemployment rate are obvious, the subsequent "tightness" of the market has created problems that currently afflict Kansas. Governor Carlin has called the shortage of skilled workers in the state a serious problem, and one of the principal targets of his economic plans for the last two years has been increased training for the unemployed and under employed. Thus, it would seem that public or privately sponsored programs to alleviate these problems would be wise responses; however, such programs could also have the effect of creating an excess supply of labor, the consequences of which would be the loss of those benefits associated with high employment coupled with the destructive effects of a higher unemployment rate. Again, the point is that policy-makers must respond to the reality of the labor market and must have the means to be able, at the very least, to make educated, informed decisions regarding the consequences of trying to manipulate that market. The findings of this study, as reported below, clearly focus upon these concerns.

The following sections of the article recount (1) the major findings of the study, (2) the implications for public policy arising from the results of the study, and (3) suggestions for future research.

Summary of Findings

In general, the competitive labor market theory is supported by this study. The fact that none of the institutional variables improved the model also supports this conclusion.

Within the econometric model itself, those influences that were found to be

Governor Carlin has called the shortage of skilled workers in the state a serious problem, and one of the principal targets of his economic plans for the last two years has been increased training for the unemployed and underemployed.

JAN 19 1981

Policy-makers must respond to the reality of the labor market and must have the means to be able, at the very least, to make educated, informed decisions regarding the consequences of trying to manipulate that market.

statistically significant constitute the study's major findings. Specifically, all of these significant variables represent determinants of the supply of labor. Thus, it appears that supply forces seem to dominate variations in wages and employment over demand factors or human capital factors for the time period studied. For instance, the age variable, which represents the percent of the population within the "working age," was the most significant variable, and the results indicate that even a small decrease in this variable would lead to large increases in wages over the sample time period.

Similarly, net migration also has a significant and positive relation to employment. This result is consistent with Greenwood's (1975) hypothesis and subsequent finding that "in-migration is expected to increase the locality's level of employment, while out-migration is expected to reduce the level."[1] Thus, even though the characteristics such as age, skills, and work experience of inmigrants were not analyzed in this study, net inmigration into the Topeka area does lead to an increase in employment. In other words, an increase in the potential supply of labor will result in employment growth for the area.

The significance of the unemployment rate variable in both the wage and employment equations, particularly in combination with the high inelasticity of wages, provides further support for the finding that supply forces dominate the market. The implications of unemployment in a local labor market deserve elaboration. Unemployment generally reflects an excess supply of labor. However, because of Topeka's low unemployment rate, it appears that the city's demand for labor is sufficient to absorb most of the labor supply and that demand would increase to meet increases in labor supply.

However, this idea that supply creates its own demand is true in a very limited sense. Business interests looking for locations to place new investments (factories, offices, etc.) must have some indication of the availability of labor in each of the potential investment areas. Those areas with sufficient labor supply and availability of labor have obvious advantages over areas that do not. In this sense, supply creates its own demand. That is, areas with an adequate labor supply will attract demand for that labor from firms that fail to find labor availability elsewhere. This has been, apparently, the case for the Topeka labor market. At first glance the "tight labor market" situation in Topeka indicates only enough labor supply to match the current demand for labor. It is the task of policy decision-makers to show that Topeka has the potential to provide an adequate supply of labor despite the "tight" situation now. Policies addressing this problem are discussed later. In so far as policy tools can increase the effective labor supply, demand for that increased labor supply will be forthcoming. Such an increase in the Topeka labor supply would also have an effect on the wage level but not, perhaps, the expected effect. In a competitive labor market, an excess supply of labor, in the short run, would tend normally to depress the wage level; that is, workers seeking employment would have to reduce their wage demands. However, the wage inelasticity in the Topeka labor market was found to be quite high in relation to changes in the unemployment rate. Thus, given a "tight" labor market, the market clears at the going wage rate over the long run, requiring adjustments in other aspects of the market such as hiring standards, labor quality, and fringe benefits.

Because of Topeka's low unemployment rate, it appears that the city's demand for labor is sufficient to absorb most of the labor supply and that demand would increase to meet increases in labor supply.

Several explanations can be offered for the statistical nonsignificance of the institutional variables. First, Kansas is one of nineteen states that have a "right-to-work" law, which prohibits the union-shop form of union security. Second, the composition of industries in Topeka (see Table 1) indicates that the majority of employment in Topeka is in government, services, and trade. These are industries which historically have not been heavily organized. A third possible explanation might be the rural or small-town background of some of the workforce. Workers from such a socio-economic environment are not as inclined toward union membership as persons from a large urban area, particularly when that inclination is coupled with the legislative environment. Thus, while other institutional factors may be at work in the Topeka labor market, such as discrimination by employers or government regulations, the institutional forces measured in this study do not appear to play a significant role in this market.

One problem inherent in the application of econometric techniques to substate models is the lack of annual time-series data at the SMSA level, particularly for small SMSAs such as Topeka. In the present study, this problem necessitated the estimation of some of the data, a step which obviously implies that the data and subsequent results may deviate from the true conditions of the market. On this problem, Klein (1971), a noted econometrician, has said:

> Despite the recent advances in dealing with . . . small sample distributions of estimators . . . these problems are not fully under control. . . . In some simple and specialized cases, small-sample distributions have been obtained. These are all too infrequent and limited. This is one of the most challenging areas from a mathematical point of view. The fact that some results have been obtained should encourage much further research on this problem.[2]

A second limitation of the study, and one that is closely related to the first, is the necessary use of proxy variables. Due to the limited amount of data, it was often necessary to develop "real world" equivalents to theoretical constructs. For instance, data on labor-force participation would have been preferable to the establishment-based data as a measure of employment, but such data does not exist on a time-series basis for the Topeka SMSA. Similarly, data on the level of unionization in Topeka would have been preferable to data at the state level, but, again, this data does not exist.

Implications for Public Policy

The finding of this study that supply forces appear to dominate the labor market in Topeka has significant implications for public policy, and these implications can be understood best if one considers that the supply of labor is a matter of quality as well as quantity. Specifically:

> The supply of labor is a compound of population available (through reproduction and migration) and its capabilities, hours of potential effort, and intensity of effort. For the individual, supply in hours is related to the wage rate adjusted for changes in commodity prices.[3]

Thus, labor supply is made of several components, and each component suggests a number of policies that may be targeted.

The first and most basic component of labor supply identified above is the population available, as affected by reproduction and net migration. While policies aimed at reproduction are not a viable alternative, policies aimed at simply increasing the labor population are possible to a certain extent, particularly those aimed at migration. Given the significance of the net migration variable, the implementation of policies designed to attract more people into the Topeka area would potentially serve to stimulate employment and economic growth. Along with attracting more people from other states or areas, another policy response might be something as simple as improving public transportation systems to better serve people who live in remote areas or areas not currently served by public transportation and who may have difficulty getting to the locations of available jobs.

Another component of labor supply is hours of potential effort. Broadly interpreted, this component reflects

Table 1
Employment By Industry
Topeka SMSA, Kansas, U.S.
1950-1970

	Topeka SMSA		Kansas		United States	
	Number	%	Number	%	Number	%
1950 Total	52,278	100.0	721,008	100.0	57,474,871	100.0
Agriculture	6,807	13.0	166,376	23.1	7,194,510	12.5
Mining	160	.3	14,966	2.1	941,308	1.6
Construction	3,654	7.0	51,513	7.1	3,524,414	6.1
Manufacturing	6,435	12.3	90,155	12.5	14,785,705	25.7
Trans., Comm., Utilities	7,531	14.4	69,417	9.6	4,503,287	7.8
Trade	10,318	19.7	139,946	19.4	10,742,919	18.7
Finance	2,142	4.1	20,629	2.9	1,941,355	3.4
Services	11,382	21.8	125,081	17.3	10,282,119	17.9
Government	4,353	8.3	42,925	6.0	3,559,254	6.2
1960 Total	64,867	100.0	817,588	100.0	66,372,649	100.0
Agriculture	3,902	6.0	107,269	13.1	4,524,874	6.8
Mining	111	.2	14,870	1.8	669,862	1.0
Construction	4,787	7.4	50,510	6.2	4,025,758	6.1
Manufacturing	6,847	10.6	134,067	16.4	18,025,678	27.4
Trans., Comm., Utilities	7,891	12.2	69,252	8.5	4,625,000	7.0
Trade	11,867	18.3	161,688	19.8	12,306,315	18.5
Finance	3,030	4.7	30,528	3.7	2,790,468	4.2
Services	15,218	23.5	177,890	21.8	14,212,955	21.4
Government	11,214	17.3	71,514	8.7	5,011,739	7.6
1970 Total	75,029	100.0	899,824	100.0	79,307,880	100.0
Agriculture	2,286	3.0	76,589	8.5	2,916,430	3.7
Mining	92	.1	10,265	1.1	631,918	.8
Construction	4,868	6.5	51,669	5.7	4,587,115	5.8
Manufacturing	10,171	13.6	149,762	16.6	20,019,822	25.2
Trans., Comm., Utilities	7,831	10.4	64,784	7.2	5,197,020	6.6
Trade	14,047	18.7	190,111	21.1	15,607,900	19.7
Finance	4,490	6.0	40,303	4.5	3,848,101	4.9
Services	20,460	27.3	237,873	26.4	20,292,557	25.6
Government	10,784	14.4	78,468	8.7	6,207,017	7.8

Source: *Kansas Employment by Industry*

both the decision to participate at all and, subsequently, the decision as to how much time to devote to market work. Labor force participation is a complex phenomenon, and it varies among different groups within the population, such as married women, prime-age males, older people, younger people, and minorities. Moreover, the determinants of labor force participation also vary among these groups, so it is difficult, at this stage, to recommend specific policies. However, what can be recommended is further empirical investigation of this issue to determine if any institutional barriers exist that prevent certain groups from participating as much as they would like. For instance, in the case of married women with children, a lack of low-cost child care facilities might be preventing some women who would like to work from doing so. Another example might be that discrimination and/or language problems prevent minorities from participating as much as they would prefer. Thus, particular policies aimed at these aspects of labor supply could be based on results from further investigations.

As far as hours of work are concerned, alternatives for public policy are somewhat limited. In many cases, labor-force participation and hours of work are jointly determined. That is, once an individual decides to participate in market activities, his/her hours are mostly regulated by the employer and are usually fairly stable. However, in the case of employment that does involve irregular hours or highly seasonal work, such as agriculture and construction, some attempt at regulating the hours of work might be an option, if feasible. Again, however, this is a complex issue and would require further investigation.

Finally, the last component of the supply of labor is the capabilities of the population, along with the intensity of effort. It is within this component that the role of public policy has the most influence. The capabilities of the population refer to its level of education as well as to its composition of various skills. These qualities are also referred to as the amount of human capital invested in the population. Within this context, the implications for public policy are numerous. Certainly, one of the most obvious and significant is the role of employment and training programs. Manpower programs have the potential to improve economic opportunities for both the individual and community, provided they reflect and serve the needs of the labor market. The training should address, for instance, certain skills that may be in short supply, or provide more opportunities for on-the-job training, or aim at particular disadvantaged groups within the population. Outreach, assessment, counseling, and remedial education may be needed, as well as supportive services such as employment-related child care, training allowances, and so on. Educational policies are also an important aspect of this component of labor supply, particularly vocational education and programs that ease the school-to-work transition. Finally, the "intensity of effort" aspect of this component can be interpreted as meaning the productivity of the work force, and potential public policies could range from improving working conditions to modifying public-health policies, and even to altering tax structures to provide incentives for firms to invest in capital that increases human productivity.

Manpower programs have the potential to improve economic opportunities for both the individual and community, provided they reflect and serve the needs of the labor market.

Suggestions for Future Research

Although the model developed in this study was relatively basic and elementary, it is definitely a strong foundation and a solid starting point for further development and refinement. In spite of data limitations, this study supports other research efforts in econometric modeling at the sub-state level and shows that econometric modeling can be successfully applied even to fairly small SMSAs.

Suggestions for future work on this particular model stem from the research efforts on small area econometric model building of Glickman (1977), Taylor, et al. (1977), and others.[4,5] The first suggestion would be to redefine some of the variables using more specific categories. For instance, it might be beneficial to break the employment variable into categories of manufacturing employment, government employment, and other nonmanufacturing employment, similar to the methodology used by Greenwood (1975). Similarly, it might prove helpful to disaggregate the net migration in the Topeka labor market; it might also be enlightening to go into more detail as to the characteristics of both outmigrants and inmigrants, if data are available that would allow such detailed study.

It would also appear beneficial to refine the human capital variables used in this study. For instance, while the age variable used in this study was statistically significant, it was really more a measure of labor supply than human capital. It would be interesting to disaggregate this variable in such a way that it would reflect measures of human capital such as previous labor-force participation and work experience or training. Moreover, while this study used the .05 level of significance as the cutoff, the education variable would have been significant had the .10 significance level been used. This revision suggests the importance of human capital variables within the Topeka labor market, and this line of research should be pursued.

In a somewhat different vein, another approach to the improvement and refinement of this model would be to incorporate some aspects of a descriptive or case-study methodology along with the econometric method. For instance, it would be extremely beneficial to survey or interview employers, workers, and policy-makers to get a more intimate feel of how the Topeka market works as well as of the perceived problems and economic plans within the market. Comments, needs, ideas, and suggestions from these three groups of labor-market participants could then be empirically investigated to improve the understanding of how the Topeka market works. While data collected from government documents and other publications provide a statistical picture of Topeka, they are of limited help in pointing out the nature and character of the market in more personal terms such as unmet needs of certain types of labor supply, or possible institutional barriers such as discrimination, or even variables like a lack of adequate public transportation or low-cost child care facilities. Thus, a blend of descriptive and statistical methodologies would quite likely

> **. . . the model developed in this study has the potential not only to analyze the labor market in sub-state areas like Topeka but to provide a tool for planning and forecasting as well.**

improve the model and, therefore, the understanding of the Topeka labor market.

Finally, there is one last suggestion for future research on this model. While the purpose of this study was to test the competitive theory of a labor market by applying an econometric model designed specifically for that purpose, it is important that research not stop there. Indeed, one of the major purposes of econometric modeling is to provide a tool for forecasting economic activity. Thus, modifications of the model, including but not limited to the suggestions discussed above, could be made to allow the model to serve as a forecasting tool for both public- and private-sector planners and policy-makers. In addition, the model could be used in simulation experiments to determine the impact of various public policy issues such as those related to energy shortages, public service employment and other manpower programs, revenue sharing, and city tax policies, to name but a few.

These are but a few suggestions for future work on this model in particular and on labor-market modeling in general. The primary purpose of this research—the testing of the competitive theory of the labor market through the construction of an econometric model—has been achieved with reasonable success. Further research and refinement of the model will undoubtedly improve the model with respect to its original purpose and also broaden its applicability to other uses. In short, the model developed in this study has the potential not only to analyze the labor market in sub-state areas like Topeka but to provide a tool for planning and forecasting as well.

Footnotes

1. Greenwood, M.J. "A Simultaneous-Equations Model of Urban Growth and Migration," *Journal of the American Statistical Association*, 70 (1975): p.801.
2. Klein, L.R. "Whither Econometrics?" *Journal of the American Statistical Association*, 66 (June 1971): pp. 415-421.
3. Fisner, M.R. *The Economic Analysis of Labor* (Birkenhead, England: Wilmer Brothers Limited, 1971): p. 2.
4. Glickman, N.J. *Econometric Analysis of Regional Systems* (New York: Holt, Rinehart and Winston, Inc., 1970).
5. Taylor, C.A., Oaxaca, R.L., and Denzau, A.T. *General Specification Report*, proposal submitted to the Department of Labor (Tucson, AR: University of Arizona Division of Economic and Business Research).

Technical Appendix

The model of a competitive labor market developed for this study was derived in two stages. In the first stage, the theoretical model was proposed, consisting of two equations representing the theoretical determinants of demand for and supply of labor. In the second stage, the econometric model was specified, based on the theoretical model. The dependent variables within the econometric model are wages and employment, and are defined in terms of twelve independent variables. Specifically, the econometric model is of the following form:

(1) W = f(E, AWH, EDUC, PRODCHG, ENEMPRT, EMPCHG, VALADD, CAPEXPD, A, PRODGHG)

(2) E = f(W, AWH, EDUC, PRODCHG, UNEMPRT, WAGCHG, VALADD, CAPEXPD, RETSAL, NETMIG)

where, W = Wage rate
E = Employment
AWH = Average weekly hours
EDUC = Education (median years of school completed)
PRODCHG = Percent change in productivity
UNEMPRT = Unemployment rate
EMPCHG = Percent change in employment
CAPEXPD = Capital expenditures in manufacturing
RETSAL = Retail sales
NETMIG = Net migration
POPCHG = Percent change in population
WAGCHG = Percent change in wages
VALADD = Value added per worker in manufacturing
A = Age (percent of the population between 16 and 65 years)

The area of analysis was the Topeka SMSA, which consists of Jefferson, Osage, and Shawnee counties. The model was estimated for the time period 1950-1978.

Institutional Factors

In the second run of the model, two institutional factors were added to assess their role in wage determination in the Topeka labor market. The first introduced the wage level in Kansas City and a one-year lag for Topeka wages, in order to determine if wages in Topeka are, in effect, keying off the wage level in Kansas City. The second institutional factor is the percent of nonagricultural employees who were union members during the sample period in the state of Kansas, which serves as a proxy for the Topeka market.

The Kansas Economy

General Business

The sharp plunge the national economy took in the second quarter of 1980 (a 9.6 per cent drop in real GNP) halted in July as the recession bottomed out. The initial third-quarter 1980 estimate for real GNP showed a 1.0 percent increase. This number will be revised several times; however, any increase in GNP which is only near the 1.0 percent mark does not represent a sharp rebound by the economy from the recession.

Other evidence of the economy's sluggish behavior following the recession include: high interest rates, inconsistent behavior of durable goods orders, and the slow recovery of factory output. Considering the present location of the economy on the business cycle, interest rates are inordinately high, and industries which are sensitive to interest rates fluctuation—particularly the auto and housing industries—are expected to face depressed demand for their goods due to the high interest rates. For example, new housing starts increased 9.0 percent in September, but in the fourth quarter they are expected to drop slightly. Durable goods orders increased 11.3 percent in July and 8.1 percent in September; however, they dropped 3.4 percent in August. This inconsistent behavior on the part of durable goods orders indicates that the economy has stopped its sharp descent into chaos but has yet to begin a strong, sustained recovery. The industrial production index rose in both August and September, and the 1.0 percent increase in the September index represents the largest single month jump since May 1979. However, after past recessions, the index has generally increased at a faster rate. After the 1974-1975 recession, the index generally jumped two to three percent per month. All of this evidence points to an economy which has stopped declining but has not begun its recovery yet. Most economists do not expect the recovery to begin until the early part of 1981.

The Kansas economy has also experienced a decline in economic activity during 1980. Initial claims for unemployment are 73 percent higher for the first eight months of 1980 than they were for the first eight months of 1979. The unemployment rate has been edging up as compared to a year ago, and for the past three months it has been at least 1.5 percent higher than for the previous year. The absolute number of employed persons has dropped below the figure for a year ago in each of the last three months. All this data point to a recession for Kansas. But the word recession when used in reference to the Kansas economy must be understood in a relative sense. The level of unemployment in Kansas for the month of August was 4.2 percent, significantly higher than the 2.7 percent of a year ago for Kansas, but dramatically below 7.6 percent for the national level of unemployment in August. In other words, the Kansas economy is in better shape than the national economy. It appears that the current downturn in the Kansas economy is merely an echo of the national business cycle.

The immediate future of the Kansas economy is clouded because of the ambiguous signs given by the latest data. On the optimistic side, unemployment is dropping, and hiring in the aircraft industry in Wichita picked up in August. The increased employment in the aircraft industry in Wichita is particularly noteworthy because of the importance of that sector of the economy on the whole economy of Wichita and because over 20 percent of the nonfarm wage and salary employment in Kansas is in Wichita. Finally, the sharp increases in crop prices in the past few months should also help the state's agricultural industry. On the pessimistic side, initial claims for unemployment remain high for Kansas, although not as high, relatively, as earlier this year. Initial claims for unemployment in July and August were 52 percent higher in 1980 than 1979. Also, the average manufacturing workweek is still below a year ago, although it rose significantly in August. As with the national economy, the Kansas economy appears to have halted its decline, but a quick rebound is probably not in the picture.

Employment

The employment situation in Kansas had deteriorated since last February. In May, total nonfarm wage and salary employment dropped to about the level of May 1979, and, since May, monthly employment has been below the 1979 employment levels for the same month. This phenomenon is in direct contrast to the employment pattern established over the past eight years. Since 1971, nonfarm wage and salary employment in Kansas has steadily increased at an annual rate of 4.3 percent. Even in 1975, the worst of these years with unemployment rising to above the 5.0 percent level several times during the year, nonfarm wage and salary employment increased 1.4 percent above the 1974 level.

The industrial sector of the Kansas economy which has turned down the most is manufacturing. Employment in manufacturing was 8.5 percent higher in August of 1979 than in August of 1980 which continues a trend that began in the spring of this year. Employment in durable goods manufacturing has suffered more (down 10.7 percent from a year ago) than employment in nondurable goods manufacturing (down 4.6 percent from a year ago). This phenomenon—the decline in manufacturing employment, particularly durable goods manufacturing employment—represents a response to the national business cycle rather than any structural change in the Kansas economy. Besides manufacturing, the only employment sector to show a significant decline in employment from a year ago is the construction industry (down 10.7 percent), and this decline also fits into the pattern of the national business cycle. Thus, the summer employment situation in Kansas suggests that the national downturn has affected certain sectors of the Kansas economy but that Kansas should fare much better than the rest of the national economy because of the high level of growth it has experienced in the past eight years and the diversity of the Kansas economy.

Regional Employment

Statewide, the unemployment rate dropped slightly from June to July of this year and then again from July to August. The drop in the unemployment rate reflected the fact that the number of unemployed persons was declining faster than total employment was declining. The same pattern held for most of the regional areas in Kansas. Two SMSAs were exceptions: the Kansas portion of the Kansas City SMSA experienced a slight increase in the unemployment rate from July to August, and the Topeka SMSA experienced an increase in the unemployment rate of less than 0.1 percent during the same time period. Two other notable exceptions to the basic trend in Kansas employment were the Coffeyville area and the Hutchinson area. The Coffeyville area experienced a drop of 21.8 percent (or 300 persons) in the number of unemployed for August from July. The Hutchinson area has experienced a sharp increase in unemployment this summer due to layoffs in the durable goods industry, specifically Cessna, which announced layoffs of up to 800 employees. By August, the unemployment rate had reached 7.0 percent for the Hutchinson area.

Retail Sales

Nationally, retail sales rose significantly in July and August after having slumped last spring. This same phenomenon also occurred in Kansas. Retail sales in Kansas jumped 18.6 percent from the three months ending in May to the three months ending in August. The national slump in retail sales was mild in all sectors except automobile sales which fell well over 50 percent from the first quarter of 1980 to the second quarter. Automobile sales did not drop as much in Kansas as they did in the rest of the nation, but they have been running about 5.0 to 7.0 percent below last year's level, and, when inflation is considered, a 5.0 to 7.0 percent drop means almost a 20.0 percent drop in constant dollars. The only other sector of the Kansas retail sales to experience a significant decline in sales was lumber and building materials which were running about 5.0 percent below last year. This drop also reflects the recession which began in housing and automobile sales. (When comparing monthly averages for the previous three months for August of 1980 and August of 1979, it must be remembered that the state's retail sales tax laws were changed in July 1979 to exempt retail sales tax collections on public utility sales to residential customers.)

Retail Sales by Region

All Kansas counties but one showed an increase in retail sales during the period of May 1980 - August 1980. This movement represents an upswing in the declining trend of the year's first four months. Of the state's 105 counties, all but six had increases in retail sales greater than the rate of inflation.

The counties with greatest gains seem to be concentrated primarily in the west-central and north-west portions of the state. Counties experiencing the lowest increases were concentrated in the extreme eastern section of the state and also in the southern sections. This pattern reflects the fact that areas of larger population are recovering more slowly from the recession.

The yearly change in retail sales for the period of August 1979 - August 1980 shows the effect of the recession last spring. Only 29 of the 105 counties had increases in retail sales during this period that were more than the rate of inflation. Seventy-four percent of the counties had a decrease in retail sales or an insignificant increase for this period.

Farm Prices

A 16.7 percent increase in the market price of hay, from $48 a ton in July to $56 a ton in August, led a series of increases in the latest crop-price figures. That big price jump, 21.7 percent over August 1979 prices, reflects 1980's low hay production level. The U.S. Department of Agriculture reports that 1980 hay production, down 15 percent from last year's record level, is the fourth smallest in the past 15 years.

Corn and sorghum prices, two of the crops hardest hit by the summer's heat and drought, also showed big price increases over the 1979 level. The forecast for U.S. production of corn was expected to be down 16 percent from 1979, and sorghum production may drop 33 percent. Corn prices were up 19.2 percent over 1979 to $3.10 a bushel, and sorghum rose 24.6 percent to $5.06 a hundred weight.

Wheat and soybean farmers, however, did not reap as big a summer price gain. August wheat prices were up 3.0 percent to $3.78 a bushel over 1979, and soybeans rose just 2.7 percent to $7.24 a bushel. However, soybean prices may go higher; production is projected to be down 19 percent over 1979 levels, and the U.S.D.A. says prices may rise to $9.45 a bushel.

Farmers were feeling the results of higher crop prices at the buying end, too. Prices paid were up for August as compared with July 1980 and with August 1979. Soybean meal prices did not change over last year but were up 13.0 percent over July. Bran took the biggest jump, 11.0 percent, over last year to $8.10 a hundred weight. As compared with 1979, laying feed rose 8.1 percent, beef concentrate rose 7.1 percent, 16 percent dairy feed rose 10.8 percent, and hog concentrate rose 3.6 percent.

Livestock prices failed to keep pace with grain prices in August. Hogs showed the most notable rise with an

August price of $45.60 a hundred weight, 12.9 percent higher than in July and 23.2 percent higher than in August 1979. Other livestock prices increases were considerably more moderate. Beef cattle were up 1.7 percent in price from July but still were 17.2 percent behind the August 1979 level; sheep rose 8.6 percent over July but lagged 37.2 percent from August last year. Milk prices remained steady from July to August but were up 17 percent over 1979. Lamb prices fell 1.8 percent from July, although they still were 8.7 percent above the August 1979 level.

Increased grain and feed prices are expected to continue to put pressure on livestock feed-price ratios. As a result, producers are expected to continue to decrease their production. The U.S.D.A. predicts, however, that livestock prices during the rest of 1980 will be higher than in 1979, and sharp increases are expected in 1981.

Financial Activity

Providing both accurate and adequate Kansas banking data has proved to be a difficult task. Prior to last publishing year, *Kansas Business Review (KBR)* simply republished banking data for Kansas banks provided by the Kansas City Federal Reserve Bank. This data is certainly the most accurate, but it only accounts for the Kansas banks which are part of the Federal Reserve System. As such, it fails to represent the full strength and growth of the Kansas banking system. To compensate for this problem, last year *KBR* used the monthly banking data for member banks and additional data for all Kansas banks generously provided by the Kansas City Federal Reserve Bank to estimate monthly figures for all Kansas banks. This approach increased the scope of the *KBR*'s banking data; however, there remained problems with accuracy. The additional data provided by the Kansas City Federal Reserve Bank were on a quarterly basis, not a monthly basis as the member bank data are, and it was lagged six months. Thus, to have more correct data, it was necessary for *KBR* to estimate the current banking situation using ratios based on the past relationship between member banks' data and all Kansas banks' data.

This year *KBR* has decided take yet a third approach to the problem of Kansas banking data which combines the two previous approaches with an explanation of how the numbers for all Kansas banks are determined. Thus, from this issue forward, *KBR* will carry two tables for Kansas banking: one table will contain the data received from the Kansas City Federal Reserve Banking, and a second table will contain estimates for all Kansas banks based on the data mentioned above.

Our estimating process for the table containing data for all Kansas banks involves taking the monthly data for member banks and the quarterly data for all banks and developing ratios between the two sets of data. The monthly member bank data was averaged on a three-month basis to coincide with the quarterly data. Then the member bank average was divided into the quarterly number for all banks to give the ratio. Initially, four years of data were used (1976 through 1979). The resulting ratios are contained in the following table.

We had planned on averaging the four years of ratios on a seasonal basis; i.e., average the ratios for a particular group of banks, then use the resulting average ratio to estimate the next first-quarter figure for demand deposits. However, a close review of the ratios points to an overwhelming trend: member banks have continuously declined as a proportion of all banks in each of the categories of data for each of the different geographical areas. If average ratios were used, they would seriously underestimate the amount of banking activity and, thus, give an erroneous picture of the Kansas banking situation. Instead, it was decided to use the 1979 ratios with the full knowledge that if this trend continues Kansas banking activity will be underestimated. We felt this approach was preferable to trying to forecast the effects of this trend. *KBR* does not know whether this trend will continue past the expansion part of the business cycle or whether structural changes in banking in the past several years are the cause. We have, therefore, decided to take the middle road and use the 1979 ratios. With this situation in mind, the banking figures for August 1980 can be analyzed.

Kansas banks during August still were recovering from a leap in lending rates resulting from the Federal Reserve Bank's letting interest rates rise early in the year. August loans for all banks statewide were down 2.5 percent from a year ago and down 0.5 percent from July. Sluggish business in the industry also was reflected in the 1.1 percent drop from July in demand deposits, although their rise of 2.7 percent from a year ago was an encouraging sign of recovery. Except in the Kansas City, Kansas area, members of the Federal Reserve System seemed to fair a little better than banks overall. The Kansas City banks, members and nonmembers, suffered a greater drop in lending than banks in the Topeka and Wichita metropolitan areas. The Kansas City banks' overall had a 10.6 percent drop in loans compared with August 1979, and member banks' loans were off 10.9 percent.

Business was looking healthier, however, at the savings and loan associations. Net savings, while off 42.5 percent from July, were up a tremendous 1,522.2 percent over savings of 1979. This increase might be a sign of greater consumer confidence in the economy or of consumers' response to higher interest rates being paid on such S&L deposits as money-market certificates. Mortgage loans, conversely, fell from last year but were up substantially over July. August's $100.4 million of mortgage loans was up 40.0 percent over July but off 16.3 percent from August 1979.

Consumer Prices

The Kansas City consumer price index for the two-month period ending in August 1980 shows an increase of 1.2 percent in the prices for all items. All major items increased in price during this period within a range of 5.7 percent for entertainment to 0.7 percent for transportation. Two increases are of special interest: The 0.9 percent rise in housing costs seems to suggest that the long-term spiraling of prices in this sector is winding down somewhat; the 2.6 percent increase in apparel and upkeep prices suggest that the costs for these items are heating up after a long period of relative stability.

Over the year, prices in Kansas City for all items rose by 11.7 percent. For the first time this year, housing and transportation prices did not lead the increases (at 12.7 percent and 14.1 percent, respectively); rather, entertainment prices experienced the largest increase at 15.7 percent. All other items increased in price as well, ranging from a high of 12.0 percent for medical costs to a low of 1.8 percent for apparel and upkeep.

TABLE I
GENERAL BUSINESS INDICATORS

	July 1980	June 1980	% change	Avg. Prior 6 mos.	Annual Avg. 1979
Manufacturing					
Average Work Week (hrs.)	39.30	40.20	– 2.2	40.00	40.70
Average Weekly Earnings (dollars)	292.00	293.46	– 0.5	287.58	240.99
Initial Claims for					
Unemployment Insurance	13,716.00	17,719.00	– 22.6	15,599.00	8,082.00
New Incorporations					
In-State For Profit	478.00	439.00	8.9	418.00	336.00
Out-of-State For Profit	81.00	90.00	– 10.0	91.00	88.00

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

Kansas Secretary of State

TABLE II
NON-FARM WAGE AND SALARY EMPLOYMENT BY PLACE OF WORK

(thousands)

Industry	July 1980	June 1980	% change	July 1979	% change
All Industries	937.8	953.6	– 1.7	941.4	– 0.4
Manufacturing	182.2	183.2	– 0.5	196.5	– 7.3
Durable Goods	117.9	117.7	0.2	128.4	– 8.2
Stone, Clay, Glass	8.6	8.8	– 2.3	9.5	– 9.5
Primary Metals	3.7	4.0	– 7.5	4.3	– 14.0
Fabricated Metal Products	11.1	11.3	– 1.8	14.2	– 21.8
Machinery (incl. elec.)	34.0	35.4	– 4.0	38.1	– 10.8
Transportation Equipment	49.2	46.5	5.8	49.6	– 0.8
Aircraft & Parts	41.1	41.6	– 1.2	43.4	– 5.3
Other Durable Goods	11.3	11.7	– 3.4	12.7	– 11.0
Nondurable Goods	64.3	65.5	– 1.8	68.1	– 5.6
Food & Kindred Products	22.4	22.6	– 0.9	23.2	– 3.4
Meat Products	8.6	8.9	– 3.4	8.7	– 1.1
Apparel	3.3	3.6	– 8.3	3.6	– 8.3
Printing & Publishing	16.7	17.0	– 1.8	17.0	– 1.8
Chemicals	8.6	8.7	– 1.1	8.4	2.4
Petroleum & Coal	4.7	4.6	2.2	4.6	2.2
Other Nondurable	8.6	9.0	– 4.4	11.3	– 23.9
Mining	15.3	15.1	1.3	14.3	7.0
Oil & Gas Extraction	13.0	12.8	1.6	11.7	11.1
Contract Construction	51.5	52.5	– 1.9	56.2	– 8.4
Trans., Comm., Elec., Gas	65.2	65.7	– 0.8	66.4	– 1.8
Wholesale Trade	66.6	66.0	0.9	65.2	2.1
Retail Trade	160.5	161.3	– 0.5	161.6	– 0.7
Finance, Insurance, Real Estate	47.0	47.1	– 0.2	46.6	0.9
Services	174.4	174.9	– 0.3	165.2	5.6
Federal Government	27.9	28.8	– 3.1	26.3	6.1
State & Local Government	147.2	159.0	– 7.4	143.2	2.8

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS

Area	July 1980	June 1980	% change	July 1979	% change
Kansas—Statewide					
Civilian Labor Force	1,233,600	1,250,900	– 1.4	1,230,800	0.2
Employed	1,179,400	1,193,000	– 1.1	1,192,500	– 1.1
Farm	80,300	81,100	– 1.0	82,200	– 2.3
Non-Farm	1,099,100	1,112,000	– 1.2	1,110,300	– 1.0
Unemployed	54,200	57,900	– 6.4	38,300	41.5
Rate	4.4%	4.6%		3.1%	
Lawrence SMSA					
Civilian Labor Force	33,900	34,400	– 1.5	32,200	5.3
Employed	32,400	32,500	– 0.3	31,000	4.5
Farm	1,000	1,000	0.0	1,000	0.0
Non-Farm	31,400	31,500	– 0.3	30,000	4.7
Unemployed	1,500	1,700	– 11.8	1,200	25.0
Rate	4.4%	4.9%		3.7%	
Kansas Portion of Kansas City SMSA					
Civilian Labor Force	275,000	276,700	– 0.6	265,000	3.8
Employed	262,300	262,100	0.1	255,500	2.7
Farm	1,800	1,800	0.0	1,800	0.0
Non-Farm	260,500	260,300	0.1	253,200	2.9
Unemployed	12,700	14,600	– 13.0	10,000	27.0
Rate	4.6%	5.3%		3.8%	
Topeka SMSA					
Civilian Labor Force	97,000	98,400	– 1.4	96,600	0.4
Employed	92,000	93,300	– 1.4	93,100	– 1.2
Farm	2,400	2,400	0.0	2,400	0.0
Non-Farm	89,600	90,900	– 1.4	90,700	– 1.2
Unemployed	5,000	5,100	– 2.0	3,500	42.9
Rate	5.2%	5.2%		3.6%	
Wichita SMSA					
Civilian Labor Force	228,800	230,300	– 0.7	226,200	1.1
Employed	218,600	219,400	– 0.4	220,000	– 0.6
Farm	3,200	3,300	– 3.0	3,300	– 3.0
Non-Farm	215,400	216,100	– 0.3	216,700	– 0.6
Unemployed	10,200	10,900	– 6.4	6,400	59.4
Rate	4.5%	4.7%		2.8%	
Barton Co.—Great Bend Area					
Civilian Labor Force	17,975	18,075	– 0.6	17,775	1.1
Employed	17,400	17,500	– 0.6	17,375	0.1
Farm	1,175	1,200	– 2.1	1,200	– 2.1
Non-Farm	16,225	16,300	– 0.5	16,175	0.3
Unemployed	575	575	0.0	400	43.8
Rate	3.2%	3.2%		2.3%	
Crawford Co.—Pittsburg Area					
Civilian Labor Force	16,600	16,850	– 1.5	16,600	0.0
Employed	15,700	16,025	– 2.0	15,975	– 1.7
Farm	1,075	1,075	0.0	1,100	– 2.3
Non-Farm	14,625	14,950	– 2.2	14,875	– 1.7
Unemployed	900	825	9.1	625	44.0
Rate	5.4%	4.9%		3.8%	
Lyon Co.—Emporia Area					
Civilian Labor Force	17,275	17,575	– 1.7	17,450	– 1.0
Employed	16,600	16,800	– 1.2	17,075	– 2.8
Farm	1,050	1,075	– 2.3	1,075	– 2.3
Non-Farm	15,550	15,825	– 1.7	16,000	– 2.8
Unemployed	675	775	– 12.9	375	80.0
Rate	3.9%	4.4%		2.1%	

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS (Continued)

Area	July 1980	June 1980	% change	July 1979	% change
Montgomery Co.—Coffeyville Area					
Civilian Labor Force	21,100	21,050	0.2	21,750	−3.0
Employed	19,725	19,700	0.1	21,200	−7.0
Farm	750	775	−3.2	775	−3.2
Non-Farm	18,975	18,925	0.3	20,425	−7.1
Unemployed	1,375	1,350	1.9	550	150.0
Rate	6.5%	6.4%		2.5%	
Reno Co.—Hutchinson Area					
Civilian Labor Force	31,700	32,325	−1.9	32,475	−2.4
Employed	30,075	30,775	−2.3	31,675	−5.1
Farm	1,700	1,700	0.0	1,725	−1.4
Non-Farm	28,375	29,075	−2.4	29,950	−5.3
Unemployed	1,625	1,550	4.8	800	103.1
Rate	5.1%	4.8%		2.5%	
Riley Co.—Manhattan Area					
Civilian Labor Force	20,475	21,175	−3.3	20,000	2.4
Employed	19,475	20,100	−3.1	19,375	0.5
Farm	1,350	1,350	0.0	1,375	−1.8
Non-Farm	18,125	18,750	−3.3	18,000	0.7
Unemployed	1,000	1,075	−7.0	625	60.0
Rate	4.9%	5.1%		3.1%	
Saline Co.—Salina Area					
Civilian Labor Force	26,225	26,950	−2.7	26,975	−2.8
Employed	24,800	25,475	−2.6	26,225	−5.4
Farm	900	900	0.0	925	−2.7
Non-Farm	23,900	24,575	−2.7	25,300	−5.5
Unemployed	1,425	1,475	−3.4	750	90.0
Rate	5.4%	5.5%		2.8%	

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE IV
RETAIL SALES SUBJECT TO SALES TAX BY BUSINESS CLASSIFICATION

(millions of dollars)

Business Classification	July * 1980	Apr.* 1980	% change	July* 1979	% change
Apparel	27.8	30.0	−7.3	25.1	10.8
Automotive	195.0	172.5	13.0	214.8	−9.2
Food	252.1	218.6	15.3	211.7	19.1
Furniture	42.6	42.2	0.9	39.5	7.8
General Merchandise	146.5	160.9	−8.9	130.8	12.0
Lumber and Building Materials	85.4	76.9	11.1	85.9	−0.6
Professional and Personal Service	43.8	37.2	17.7	37.1	18.1
Public Utilities	48.2	44.3	8.8	97.9	−50.8
Unclassified	111.3	92.7	20.1	96.8	15.0
Farm and Garden Products	0.9	0.9	0.0	0.9	0.0
Manufacturing and Trading	85.8	69.6	23.3	71.9	19.3
Miscellaneous	2.9	2.2	31.8	1.8	61.1
Total	1042.8	948.5	9.9	1014.8	2.8

* Monthly Average for Prior Three Months

Source: Tax Research Section
Kansas Department of Revenue

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY

(thousands of dollars)

County	Sales * July 1980	Sales * Apr. 1980	Change From Apr. 1980 (%)	Sales * July 1979	Change From July 1979 (%)
Allen	4,999	4,976	0.4	5,307	– 5.8
Anderson	2,455	2,132	15.1	2,365	3.8
Atchison	4,664	4,504	3.5	4,733	– 1.4
Barber	2,693	2,455	9.7	2,256	19.4
Barton	27,554	23,971	14.9	21,388	28.8
Bourbon	5,572	5,129	8.6	5,472	1.8
Brown	3,417	3,042	12.3	3,396	0.6
Butler	16,558	13,603	21.7	12,744	29.9
Chase	725	630	15.0	768	– 5.7
Chautauqua	1,213	1,064	14.0	1,071	13.3
Cherokee	4,128	4,058	1.7	4,143	– 0.4
Cheyenne	1,349	1,403	– 3.8	1,253	7.7
Clark	560	602	– 7.1	583	– 4.0
Clay	2,946	3,047	– 3.3	3,121	– 5.6
Cloud	4,577	4,361	5.0	4,318	6.0
Coffey	2,337	2,065	13.2	2,234	4.6
Comanche	678	555	22.1	629	7.9
Cowley	14,141	12,475	13.4	12,490	13.2
Crawford	12,598	11,431	10.2	12,086	4.2
Decatur	1,483	1,446	2.6	1,586	– 6.5
Dickinson	5,749	5,297	8.5	5,807	– 1.0
Doniphan	1,994	1,672	19.2	1,874	6.4
Douglas	22,800	20,733	10.0	21,385	6.6
Edwards	1,089	913	19.3	999	9.0
Elk	622	640	– 2.8	699	– 11.0
Ellis	13,396	11,789	13.6	12,254	9.3
Ellsworth	1,886	1,576	19.7	1,789	5.4
Finney	16,250	14,297	13.7	14,150	14.8
Ford	14,411	13,210	9.1	12,951	11.3
Franklin	6,495	6,393	1.6	6,680	– 2.8
Geary	9,108	7,355	23.8	8,657	5.2
Gove	1,285	1,245	3.2	1,279	0.5
Graham	1,891	1,502	25.9	1,606	17.7
Grant	3,876	3,397	14.1	3,311	17.1
Gray	1,640	1,594	2.9	1,713	– 4.3
Greeley	653	380	71.9	672	– 2.9
Greenwood	3,244	2,380	36.3	2,499	29.8
Hamilton	740	735	0.6	885	– 16.4
Harper	3,116	2,744	13.5	2,742	13.7
Harvey	9,633	9,217	4.5	8,529	12.9
Haskell	1,156	827	39.7	1,083	6.8
Hodgeman	389	343	13.1	435	– 10.6
Jackson	2,122	2,051	3.4	2,365	– 10.3
Jefferson	2,539	3,033	– 16.3	2,761	– 8.1
Jewell	961	711	35.2	976	– 1.5
Johnson	126,711	119,297	6.2	115,627	9.6
Kearny	662	614	7.8	759	– 12.7
Kingman	2,770	2,391	15.9	2,292	20.8
Kiowa	1,524	1,281	18.9	1,176	29.6
Labette	7,575	7,050	7.4	7,727	– 2.0
Lane	886	693	27.9	733	20.9
Leavenworth	11,864	10,489	13.1	11,677	1.6
Lincoln	1,166	826	41.1	1,096	6.4

* Monthly Average for Prior Three Months

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY (Continued)

(thousands of dollars)

County	Sales * July 1980	Sales * Apr. 1980	Change From Apr. 1980 (%)	Sales * July 1979	Change From July 1979 (%)
Linn	1,529	1,682	– 9.0	1,935	– 20.9
Logan	1,736	1,455	19.3	1,668	4.0
Lyon	13,537	12,446	8.8	12,454	8.7
McPherson	10,140	9,011	12.5	9,583	5.8
Marion	3,943	3,311	19.1	3,652	8.0
Marshall	3,816	3,460	10.3	4,250	– 10.2
Meade	1,417	1,276	11.0	1,304	8.6
Miami	5,994	5,521	8.6	5,177	15.8
Mitchell	3,640	3,164	15.1	3,616	0.7
Montgomery	16,035	14,860	7.9	15,164	5.7
Morris	1,601	1,163	37.7	1,413	13.3
Morton	1,565	1,169	33.9	1,137	37.7
Nemaha	3.277	3,138	4.4	3,057	7.2
Neosho	8,254	7,692	7.3	7,132	15.7
Ness	2,129	1,737	22.6	1,459	45.9
Norton	2,232	1,932	15.5	2,163	3.2
Osage	3,256	2,771	17.5	3,205	1.6
Osborne	1,883	1,474	27.7	1,810	4.0
Ottawa	1,149	1,007	14.2	1,279	– 10.1
Pawnee	3,096	2,499	23.9	3,029	2.2
Phillips	2,406	2,293	4.9	2,558	– 5.9
Pottawatomie	4,636	3,867	19.9	4,172	11.1
Pratt	5,567	4,555	22.2	4,572	21.7
Rawlins	891	839	6.1	962	– 7.4
Reno	29,638	27,354	8.3	26,646	11.2
Republic	2,408	2,090	15.3	2,392	0.7
Rice	3,548	2,886	22.9	3,209	10.6
Riley	15,063	14,456	4.2	14,373	4.8
Rooks	4,891	3,318	47.4	3,111	57.2
Rush	1,466	1,205	21.7	1,278	14.8
Russell	5,879	5,139	14.4	4,901	19.9
Saline	27,137	24,934	8.8	25,677	5.7
Scott	2,690	2,325	15.7	2,602	3.4
Sedgwick	202,165	186,021	8.7	179,660	12.5
Seward	12,669	11,288	12.2	11,430	10.8
Shawnee	73,521	67,685	8.6	69,423	5.9
Sheridan	1,349	911	48.1	1,399	– 3.6
Sherman	4,088	3,497	16.9	3,870	5.6
Smith	1,922	1,569	22.5	1,831	5.0
Stafford	2,074	1,485	39.6	1,526	35.9
Stanton	735	543	35.3	662	11.0
Stevens	1,492	1,512	– 1.3	1,426	4.6
Sumner	6,408	5,786	10.7	5,795	10.6
Thomas	4,534	3,917	15.7	4,418	2.6
Trego	1,447	1,097	32.0	1,355	6.8
Wabaunsee	983	842	16.7	1,084	– 9.3
Wallace	590	533	10.7	664	– 11.2
Washington	1,919	1,945	– 1.3	2,085	– 7.9
Wichita	1,355	771	75.8	882	53.5
Wilson	2,767	2,466	12.2	2,732	1.3
Woodson	995	848	17.3	919	8.2
Wyandotte	59,901	54,502	9.9	61,266	– 2.2

Source: Tax Research Section
Kansas Department of Revenue

TABLE VI
PRICES RECEIVED BY KANSAS FARMERS
(dollars)

Items	July 1980	June 1980	% change	July 1979	% change	Annual Avg. 1979
Prices Received by Farmers						
Field Crops						
Wheat (bu.)	3.62	3.48	4.0	3.85	– 6.0	3.49
Corn (bu.)	2.92	2.59	12.7	2.79	4.7	2.48
Sorghum (cwt.)	4.86	4.00	21.5	4.28	13.6	3.75
Hay (ton)	48.00	43.00	11.6	49.00	– 2.0	50.17
Soybeans (bu.)	6.69	5.73	16.8	7.30	– 8.4	6.72
Livestock & Products						
Beef Cattle (cwt.)	64.70	61.60	5.0	67.80	– 4.6	67.82
Calves (cwt.)	70.10	75.00	– 6.5	92.60	– 24.3	87.14
Hogs (cwt.)	40.40	32.60	23.9	38.90	3.9	41.83
Lambs (cwt.)	67.20	65.60	2.4	61.70	8.9	66.18
Sheep (cwt.)	18.50	23.00	– 19.6	31.50	– 41.3	21.15
Milk (cwt.)	12.40	12.40	0.0	11.40	8.8	12.24
Prices Paid by Farmers						
Soybean Meal (cwt.)	11.50	10.50	9.5	13.50	– 14.8	12.33
Bran (cwt.)	8.00	8.10	– 1.2	7.40	8.1	7.55
Beef Conc. (cwt.)	9.80	9.70	1.0	9.50	3.2	9.61
16% Dairy Feed (ton)	167.00	168.00	– 0.6	158.00	5.7	154.50
Hog Conc. (cwt.)	14.00	13.00	7.7	14.00	0.0	13.83
Laying Feed (ton)	184.00	184.00	0.0	187.00	– 1.6	180.75

Source: Kansas Crop and Livestock Reporting Service
Kansas State Board of Agriculture

U.S. Department of Agriculture

TABLE VII
COMMERCIAL BANKING ACTIVITY FOR MEMBER BANKS
(millions of dollars)

	July 1980	June 1980	% change	July 1979	% change
Kansas—Statewide					
Loans	3,519	3,524	– 0.1	3,579	– 1.7
Demand Deposits	2,004	1,934	3.6	2,021	– 0.8
Time & Saving Deposits	3,958	3,906	1.3	3,512	12.7
Loan-to-Deposit Ratio	59.0%	60.3%		64.7%	
Kansas City (Wyandotte)					
Loans	200	201	– 0.5	215	– 7.0
Demand Deposits	110	106	3.8	109	0.9
Time & Saving Deposits	219	220	– 0.5	205	6.8
Loan-to-Deposit Ratio	60.8%	61.7%		68.5%	
Topeka (Shawnee)					
Loans	259	259	0.0	280	– 7.5
Demand Deposits	182	178	2.2	197	– 7.6
Time & Saving Deposits	277	264	4.9	282	– 1.8
Loan-to-Deposit Ratio	56.4%	58.6%		58.5%	
Wichita (Sedgwick)					
Loans	662	659	0.5	700	– 5.4
Demand Deposits	502	490	2.4	465	8.0
Time & Saving Deposits	589	582	1.2	514	14.6
Loan-to-Deposit Ratio	60.7%	61.5%		71.5%	

Source: Research Department
Federal Reserve Bank of Kansas City

TABLE VII-I
COMMERCIAL BANKING ACTIVITY FOR ALL BANKS

(millions of dollars)

	July 1980	June 1980	% change	July 1979	% change
Kansas—Statewide					
Loans	7,884	7,985	– 1.3	8,017	– 1.7
Demand Deposits	3,956	4,027	– 1.8	3,990	– 0.9
Time & Saving Deposits	9,156	9,097	0.6	8,127	12.7
Loan-to-Deposit Ratio	60.1%	60.8%		66.2%	
Kansas City (Wyandotte)					
Loans	518	501	3.4	555	– 6.7
Demand Deposits	237	242	– 2.1	284	– 16.5
Time & Saving Deposits	615	621	– 1.0	578	6.4
Loan-to-Deposit Ratio	60.8%	58.1%		64.4%	
Topeka (Shawnee)					
Loans	473	503	– 6.0	519	– 8.9
Demand Deposits	279	282	– 1.1	304	– 8.2
Time & Saving Deposits	517	517	0.0	526	– 1.7
Loan-to-Deposit Ratio	59.4%	63.0%		62.5%	
Wichita (Sedgwick)					
Loans	1,162	1,166	– 0.3	1,229	– 5.5
Demand Deposits	813	833	– 2.4	755	7.7
Time & Saving Deposits	1,216	1,180	3.1	1,060	14.7
Loan-to-Deposit Ratio	57.3%	57.9%		67.7%	

Source: Research Department
Federal Reserve Bank of Kansas City

Institute for Economic and Business Research

TABLE VIII
SAVINGS AND LOAN ACTIVITY

(thousands of dollars)

	July 1980	June 1980	% change	July 1979	% change
Net New Savings	25,400	5,200	388.5	8,100	213.6
Mortgage Loans Made	71,700	50,200	42.8	115,300	– 37.8

Source: Federal Home Loan Bank of Topeka

TABLE IX
CONSUMER PRICES

Kansas City

Consumer Price Index, August 1980

	All Urban Consumers (CPI-U)			Wage Earners and Clerical Workers (CPI-W)		
		Percent change from			Percent change from	
	INDEX 1967 = 100	2 months ago	1 year ago	INDEX 1967 = 100	2 months ago	1 year ago
ALL ITEMS	250.8	1.2	11.7	249.3	1.2	11.7
Food and Beverages	255.9	1.4	8.8	251.5	1.9	9.5
Food	262.2	1.4	8.9	257.7	1.9	9.5
Food at home	257.4	2.5	10.6	254.7	3.0	11.5
Cereals & bakery products	263.2	0.5	16.2	257.0	1.3	15.8
Meats, poultry, fish & eggs	238.6	5.3	7.7	240.4	5.5	7.5
Dairy products	234.5	-0.2	7.2	234.8	0.6	7.4
Fruits and vegetables	269.4	2.3	13.5	255.7	3.1	15.8
Other foods at home	299.4	1.9	11.3	298.0	2.2	14.2
Food away from home	278.6	-0.8	5.7	269.7	-0.4	5.4
Alcoholic beverages	195.7	1.1	6.8	193.1	1.6	9.0
Housing	266.9	0.9	12.7	264.2	0.9	12.2
Shelter	290.3	0.6	13.0	287.1	0.5	12.7
Rent (residential)	163.6	0.7	9.2	163.6	0.7	9.2
Other rental costs	NA	NA	NA	NA	NA	NA
Homeownership	336.4	0.6	13.8	332.0	0.5	13.3
Fuel & other utilities	271.2	2.2	12.0	273.4	2.2	12.4
Fuels	365.1	2.8	15.2	366.8	2.7	15.6
Fuel oil, coal, & bottled gas*	167.0	0.5	29.9	176.9	0.5	31.7
Gas (piped) & electricity	364.8	2.9	14.5	364.9	2.9	14.5
Household furnishings & oper.	203.6	1.0	11.9	199.4	1.0	9.7
Apparel & Upkeep	185.7	2.6	1.8	177.3	1.4	1.7
Men's & boys' apparel	191.8	-1.4	-2.4	193.4	-1.6	-0.3
Women's & girls' apparel	177.7	7.0	4.1	145.8	1.8	-7.0
Footwear	191.1	3.0	-2.1	204.6	7.3	12.7
Transportation	247.2	0.7	14.1	248.3	0.3	13.9
Private transportation	249.1	0.4	13.7	250.5	0.2	13.7
Public transportation	206.9	6.3	25.0	200.9	5.5	21.8
Medical Care	263.4	1.4	12.0	267.9	3.7	13.5
Medical care services	284.7	1.2	12.2	290.3	3.9	13.5
Entertainment	197.9	5.7	15.7	206.9	3.9	19.9
Other Goods & Services	218.8	1.2	9.4	224.9	1.8	9.8
ALL ITEMS (1957-59 = 100)	297.7			295.9		

* June 1978 = 100

TABLE I
GENERAL BUSINESS INDICATORS

	Aug. 1980	July 1980	% change	Avg. Prior 6 mos.	Annual Avg. 1979
Manufacturing					
Average Work Week (hrs.)	40.10	39.30	2.0	39.80	40.70
Average Weekly Earnings (dollars)	294.74	292.00	0.9	288.05	240.99
Initial Claims for					
Unemployment Insurance	15,816.00	13,716.00	15.3	14,336.00	8,082.00
New Incorporations					
In-State For Profit	368.00	478.00	– 23.0	424.00	336.00
Out-of-State For Profit	89.00	81.00	9.9	92.00	88.00

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

Kansas Secretary of State

TABLE II
NON-FARM WAGE AND SALARY EMPLOYMENT BY PLACE OF WORK

(thousands)

Industry	Aug. 1980	July 1980	% change	Aug. 1979	% change
All Industries	933.9	937.8	– 0.4	941.4	– 0.8
Manufacturing	179.8	182.2	– 1.3	196.6	– 8.5
Durable Goods	114.9	117.9	– 2.5	128.6	– 10.7
Stone, Clay, Glass	8.5	8.6	– 1.2	9.5	– 10.5
Primary Metals	3.8	3.7	2.7	4.3	– 11.6
Fabricated Metal Products	11.0	11.1	– 0.9	13.8	– 20.3
Machinery (incl. elec.)	33.5	34.0	– 1.5	37.8	– 11.4
Transportation Equipment	46.5	49.2	– 5.5	50.5	– 7.9
Aircraft & Parts	41.7	41.1	1.5	43.6	– 4.4
Other Durable Goods	11.6	11.3	2.7	12.7	– 8.7
Nondurable Goods	64.9	64.3	0.9	68.0	– 4.6
Food & Kindred Products	22.5	22.4	0.4	23.5	– 4.3
Meat Products	8.4	8.6	– 2.3	9.1	– 7.7
Apparel	4.0	3.3	21.2	3.7	8.1
Printing & Publishing	16.4	16.7	– 1.8	16.7	– 1.8
Chemicals	8.8	8.6	2.3	8.5	3.5
Petroleum & Coal	4.6	4.7	– 2.1	4.5	2.2
Other Nondurable	8.6	8.6	0.0	11.1	– 22.5
Mining	15.6	15.3	2.0	14.5	7.6
Oil & Gas Extraction	13.3	13.0	2.3	12.0	10.8
Contract Construction	51.1	51.5	– 0.8	57.2	– 10.7
Trans., Comm., Elec., Gas	65.1	65.2	– 0.2	66.2	– 1.7
Wholesale Trade	65.8	66.6	– 1.2	64.2	2.5
Retail Trade	161.7	160.5	0.7	162.2	– 0.3
Finance, Insurance, Real Estate	46.9	47.0	– 0.2	46.5	0.9
Services	175.1	174.4	0.4	165.8	5.6
Federal Government	27.3	27.9	– 2.2	26.2	4.2
State & Local Government	145.5	147.2	– 1.2	142.0	2.5

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS

Area	Aug. 1980	July 1980	% change	Aug. 1979	% change
Kansas—Statewide					
Civilian Labor Force	1,219,000	1,233,600	– 1.2	1,214,300	0.4
Employed	1,167,400	1,179,400	– 1.0	1,181,400	– 1.2
Farm	74,400	80,300	– 7.3	76,500	– 2.7
Non-Farm	1,093,000	1,099,100	– 0.6	1,104,900	– 1.1
Unemployed	51,600	54,200	– 4.8	32,900	56.8
Rate	4.2%	4.4%		2.7%	
Lawrence SMSA					
Civilian Labor Force	33,400	33,900	– 1.5	31,800	5.0
Employed	32,000	32,400	– 1.2	30,800	3.9
Farm	900	1,000	– 10.0	1,000	– 10.0
Non-Farm	31,100	31,400	– 1.0	29,800	4.4
Unemployed	1,400	1,500	– 6.7	1,000	40.0
Rate	4.2%	4.4%		3.1%	
Kansas Portion of Kansas City SMSA					
Civilian Labor Force	270,400	275,000	– 1.7	265,300	1.9
Employed	257,500	262,300	– 1.8	255,600	0.7
Farm	1,600	1,800	– 11.1	1,600	0.0
Non-Farm	255,900	260,500	– 1.8	253,900	0.8
Unemployed	12,900	12,700	1.6	9,700	33.0
Rate	4.8%	4.6%		3.7%	
Topeka SMSA					
Civilian Labor Force	95,700	97,000	– 1.3	95,600	0.1
Employed	90,700	92,000	– 1.4	92,400	– 1.8
Farm	2,200	2,400	– 8.3	2,300	– 4.3
Non-Farm	88,500	89,600	– 1.2	90,100	– 1.8
Unemployed	5,000	5,000	0.0	3,100	61.3
Rate	5.2%	5.2%		3.2%	
Wichita SMSA					
Civilian Labor Force	226,000	228,800	– 1.2	224,200	0.8
Employed	216,800	218,600	– 0.8	218,300	– 0.7
Farm	3,000	3,200	– 6.3	3,100	– 3.2
Non-Farm	213,800	215,400	– 0.7	215,200	– 0.7
Unemployed	9,200	10,200	– 9.8	5,900	55.9
Rate	4.1%	4.5%		2.6%	
Barton Co.—Great Bend Area					
Civilian Labor Force	17,675	17,975	– 1.7	17,550	0.7
Employed	17,175	17,400	– 1.3	17,225	– 0.3
Farm	1,100	1,175	– 6.4	1,125	– 2.2
Non-Farm	16,075	16,225	– 0.9	16,100	– 0.2
Unemployed	500	575	– 13.0	325	53.8
Rate	2.8%	3.2%		1.9%	
Crawford Co.—Pittsburg Area					
Civilian Labor Force	16,400	16,600	– 1.2	16,300	0.6
Employed	15,575	15,700	– 0.8	15,675	– 0.6
Farm	1,000	1,075	– 7.0	1,000	0.0
Non-Farm	14,575	14,625	– 0.3	14,675	– 0.7
Unemployed	825	900	– 8.3	625	32.0
Rate	5.0%	5.4%		3.8%	
Lyon Co.—Emporia Area					
Civilian Labor Force	17,000	17,275	– 1.6	17,200	– 1.2
Employed	16,375	16,600	– 1.4	16,800	– 2.5
Farm	975	1,050	– 7.1	1,000	– 2.5
Non-Farm	15,400	15,550	– 1.0	15,800	– 2.5
Unemployed	625	675	– 7.4	400	56.3
Rate	3.7%	3.9%		2.3%	

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS (Continued)

Area	Aug. 1980	July 1980	% change	Aug. 1979	% change
Montgomery Co.—Coffeyville Area					
Civilian Labor Force	20,925	21,100	– 0.8	21,525	– 2.8
Employed	19,850	19,725	0.6	21,000	– 5.5
Farm	700	750	– 6.7	725	– 3.4
Non-Farm	19,150	18,975	0.9	20,275	– 5.5
Unemployed	1,075	1,375	– 21.8	525	104.8
Rate	5.1%	6.5%		2.4%	
Reno Co.—Hutchinson Area					
Civilian Labor Force	30,650	31,700	– 3.3	32,175	– 4.7
Employed	28,500	30,075	– 5.2	31,450	– 9.4
Farm	1,575	1,700	– 7.4	1,600	– 1.6
Non-Farm	26,925	28,375	– 5.1	29,850	– 9.8
Unemployed	2,150	1,625	32.3	725	196.6
Rate	7.0%	5.1%		2.3%	
Riley Co.—Manhattan Area					
Civilian Labor Force	19,875	20,475	– 2.9	19,550	1.7
Employed	19,000	19,475	– 2.4	19,000	0.0
Farm	1,250	1,350	– 7.4	1,275	– 2.0
Non-Farm	17,750	18,125	– 2.1	17,725	0.1
Unemployed	875	1,000	– 12.5	550	59.1
Rate	4.4%	4.9%		2.8%	
Saline Co.—Salina Area					
Civilian Labor Force	26,000	26,225	– 0.9	26,725	– 2.7
Employed	24,725	24,800	– 0.3	26,025	– 5.0
Farm	825	900	– 8.3	850	– 2.9
Non-Farm	23,900	23,900	0.0	25,175	– 5.1
Unemployed	1,275	1,425	– 10.5	700	82.1
Rate	4.9%	5.4%		2.6%	

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE IV
RETAIL SALES SUBJECT TO SALES TAX BY BUSINESS CLASSIFICATION

(millions of dollars)

Business Classification	Aug. * 1980	May* 1980	% change	Aug.* 1979	% change
Apparel	27.2	24.2	12.4	25.4	7.1
Automotive	201.1	178.9	12.4	213.6	– 5.9
Food	261.6	217.1	20.5	234.0	11.8
Furniture	42.5	39.5	7.6	40.4	5.2
General Merchandise	154.8	123.3	25.5	136.4	13.5
Lumber and Building Materials	90.0	72.7	23.8	95.0	– 5.3
Professional and Personal Service	45.3	37.5	20.8	38.7	17.1
Public Utilities	45.6	48.6	– 6.2	84.2	– 45.8
Unclassified	113.6	91.4	24.3	101.6	11.8
Farm and Garden Products	0.9	0.8	12.5	0.9	0.0
Manufacturing and Trading	88.2	69.7	26.5	74.3	18.7
Miscellaneous	3.3	2.2	50.0	1.7	94.1
Total	1074.6	906.3	18.6	1046.8	2.7

* Monthly Average for Prior Three Months

Source: Tax Research Section
Kansas Department of Revenue

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY

(thousands of dollars)

County	Sales * Aug. 1980	Sales * May 1980	Change From May 1980 (%)	Sales * Aug. 1979	Change From Aug. 1979 (%)
Allen	5,217	4,476	16.5	5,274	− 1.0
Anderson	2,512	1,938	29.6	2,583	− 2.7
Atchison	4,693	4,101	14.4	4,685	0.2
Barber	2,815	2,488	13.1	2,487	13.2
Barton	28,965	23,106	25.4	22,773	27.2
Bourbon	5,531	4,846	14.1	5,820	− 5.0
Brown	3,611	2,858	26.3	3,678	− 1.8
Butler	18,226	13,238	37.7	14,680	24.2
Chase	762	574	32.7	760	0.2
Chautauqua	1,310	1,047	25.1	1,108	18.2
Cherokee	4,065	3,917	3.8	4,439	− 8.4
Cheyenne	1,544	1,132	36.3	1,379	12.0
Clark	658	568	15.9	628	4.7
Clay	3,073	2,619	17.3	3,462	− 11.2
Cloud	4,741	4,043	17.3	4,449	6.6
Coffey	2,315	2,097	10.4	2,461	− 5.9
Comanche	660	533	23.9	720	− 8.3
Cowley	14,911	11,640	28.1	13,326	11.9
Crawford	12,865	10,809	19.0	12,744	1.0
Decatur	1,773	1,198	48.0	1,636	8.4
Dickinson	5,867	4,889	20.0	6,238	− 5.9
Doniphan	1,945	1,483	31.2	2,115	− 8.1
Douglas	22,951	19,840	15.7	22,565	1.7
Edwards	1,102	958	15.0	1,004	9.7
Elk	660	570	15.9	737	− 10.4
Ellis	14,627	11,110	31.7	12,909	13.3
Ellsworth	2,098	1,540	36.2	1,943	8.0
Finney	17,235	14,244	21.0	15,433	11.7
Ford	15,013	12,256	22.5	14,411	4.2
Franklin	6,869	5,770	19.1	6,913	− 0.6
Geary	9,312	7,169	29.9	9,140	1.9
Gove	1,454	1,218	19.4	1,343	8.3
Graham	1,978	1,415	39.8	1,703	16.2
Grant	3,942	3,286	20.0	3,530	11.7
Gray	1,604	1,517	5.8	1,981	− 19.0
Greeley	754	413	82.5	728	3.5
Greenwood	3,194	2,464	29.6	2,725	17.2
Hamilton	892	679	31.3	918	− 2.9
Harper	3,409	2,481	37.4	3,022	12.8
Harvey	9,775	8,471	15.4	9,361	4.4
Haskell	1,239	799	55.2	1,213	2.2
Hodgeman	412	342	20.5	462	− 10.8
Jackson	2,270	1,901	19.4	2,542	− 10.7
Jefferson	2,738	2,770	− 1.2	3,153	− 13.2
Jewell	972	717	35.6	1,059	− 8.2
Johnson	128,441	110,870	15.8	117,149	9.6
Kearny	680	572	18.8	756	− 10.1
Kingman	2,854	2,273	25.6	2,424	17.7
Kiowa	1,613	1,421	13.5	1,413	14.1
Labette	7,770	6,824	13.9	8,243	− 5.7
Lane	898	587	52.9	792	13.4
Leavenworth	11,909	10,027	18.8	12,480	− 4.6
Lincoln	1,182	832	42.0	1,253	− 5.7

---

* Monthly Average for Prior Three Months

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY (Continued)

(thousands of dollars)

County	Sales * Aug. 1980	Sales * May 1980	Change From May 1980 (%)	Sales * Aug. 1979	Change From Aug. 1979 (%)
Linn	1,653	1,652	0.0	2,050	– 19.3
Logan	1,877	1,327	41.4	1,874	0.2
Lyon	14,251	12,092	17.9	13,228	7.7
McPherson	10,424	8,821	18.2	9,806	6.3
Marion	4,049	3,189	27.0	3,853	5.1
Marshall	4,012	3,235	24.0	4,192	– 4.3
Meade	1,466	1,358	7.9	1,398	4.9
Miami	6,117	5,178	18.1	5,576	9.7
Mitchell	3,936	3,016	30.5	3,792	3.8
Montgomery	16,328	14,302	14.2	15,338	6.5
Morris	1,643	1,092	50.5	1,527	7.6
Morton	1,717	1,131	51.8	1,067	60.9
Nemaha	3,259	2,918	11.7	3,213	1.4
Neosho	9,125	7,156	27.5	7,341	24.3
Ness	2,338	1,636	42.9	1,735	34.8
Norton	2,479	1,772	39.9	2,253	10.0
Osage	3,339	2,535	31.7	3,197	4.4
Osborne	1,856	1,517	22.4	1,843	0.7
Ottawa	1,258	942	33.5	1,306	– 3.7
Pawnee	3,377	2,373	42.3	3,220	4.9
Phillips	2,518	2,131	18.1	2,660	– 5.3
Pottawatomie	4,825	3,640	32.6	4,615	4.5
Pratt	5,943	4,375	35.8	5,153	15.3
Rawlins	1,047	825	26.8	997	5.0
Reno	30,773	25,039	22.9	28,377	8.4
Republic	2,345	1,955	20.0	2,429	– 3.4
Rice	3,768	2,713	38.9	3,400	10.8
Riley	14,936	13,585	9.9	15,196	– 1.7
Rooks	4,803	3,605	33.2	3,312	45.0
Rush	1,465	1,032	41.9	1,278	14.6
Russell	6,319	4,734	33.5	4,770	32.5
Saline	28,317	24,205	17.0	28,227	0.3
Scott	2,862	2,243	27.6	2,853	0.3
Sedgwick	202,179	180,366	12.1	187,837	7.6
Seward	13,021	10,918	19.3	11,255	15.7
Shawnee	73,069	63,250	15.5	72,476	0.8
Sheridan	1,340	910	47.2	1,360	– 1.4
Sherman	4,366	3,237	34.9	4,293	1.7
Smith	1,971	1,446	36.3	2,065	– 4.6
Stafford	2,210	1,345	64.3	1,678	31.7
Stanton	792	577	37.2	737	7.5
Stevens	1,568	1,416	10.7	1,530	2.5
Sumner	7,079	5,134	37.9	6,393	10.7
Thomas	4,894	3,814	28.3	4,910	– 0.3
Trego	1,621	1,055	53.7	1,432	13.2
Wabaunsee	1,025	765	34.0	1,165	– 12.0
Wallace	659	525	25.6	699	– 5.7
Washington	2,066	1,826	13.1	2,140	– 3.5
Wichita	1,815	763	137.8	962	88.7
Wilson	2,719	2,429	11.9	2,812	– 3.3
Woodson	1,003	819	22.5	1,130	– 11.2
Wyandotte	60,359	52,455	15.1	62,394	– 3.3

Source: Tax Research Section
Kansas Department of Revenue

TABLE VI
PRICES RECEIVED BY KANSAS FARMERS

(dollars)

Items	Aug. 1980	July 1980	% change	Aug. 1979	% change	Annual Avg. 1979
Prices Received by Farmers						
Field Crops						
Wheat (bu.)	3.78	3.62	4.4	3.67	3.0	3.49
Corn (bu.)	3.10	2.92	6.2	2.60	19.2	2.48
Sorghum (cwt.)	5.06	4.86	4.1	4.06	24.6	3.75
Hay (ton)	56.00	48.00	16.7	46.00	21.7	50.17
Soybeans (bu.)	7.24	6.69	8.2	7.05	2.7	6.72
Livestock & Products						
Beef Cattle (cwt.)	65.80	64.70	1.7	67.10	– 1.9	67.82
Calves (cwt.)	75.20	70.10	7.3	90.80	– 17.2	87.14
Hogs (cwt.)	45.60	40.40	12.9	37.00	23.2	41.83
Lambs (cwt.)	66.00	67.20	– 1.8	60.70	8.7	66.18
Sheep (cwt.)	20.10	18.50	8.6	32.00	– 37.2	21.15
Milk (cwt.)	12.40	12.40	0.0	10.60	17.0	12.24
Prices Paid by Farmers						
Soybean Meal (cwt.)	13.00	11.50	13.0	13.00	0.0	12.33
Bran (cwt.)	8.10	8.00	1.3	7.30	11.0	7.55
Beef Conc. (cwt.)	10.50	9.80	7.1	9.80	7.1	9.61
16% Dairy Feed (ton)	175.00	167.00	4.8	158.00	10.8	154.50
Hog Conc. (cwt.)	14.50	14.00	3.6	14.00	3.6	13.83
Laying Feed (ton)	200.00	184.00	8.7	185.00	8.1	180.75

Source: Kansas Crop and Livestock Reporting Service
Kansas State Board of Agriculture

U.S. Department of Agriculture

TABLE VII
COMMERCIAL BANKING ACTIVITY FOR MEMBER BANKS

(millions of dollars)

	Aug. 1980	July 1980	% change	Aug. 1979	% change
Kansas—Statewide					
Loans	3,502	3,519	– 0.5	3,591	– 2.5
Demand Deposits	1,982	2,004	– 1.1	1,929	2.7
Time & Saving Deposits	3,981	3,958	0.6	3,573	11.4
Loan-to-Deposit Ratio	58.7%	59.0%		65.3%	
Kansas City (Wyandotte)					
Loans	196	200	– 2.0	220	– 10.9
Demand Deposits	106	110	– 3.6	105	1.0
Time & Saving Deposits	212	219	– 3.2	199	6.5
Loan-to-Deposit Ratio	61.6%	60.8%		72.4%	
Topeka (Shawnee)					
Loans	266	259	2.7	282	– 5.7
Demand Deposits	175	182	– 3.8	185	– 5.4
Time & Saving Deposits	283	277	2.2	307	– 7.8
Loan-to-Deposit Ratio	58.1%	56.4%		57.3%	
Wichita (Sedgwick)					
Loans	663	662	0.2	699	– 5.2
Demand Deposits	493	502	– 1.8	442	11.5
Time & Saving Deposits	596	589	1.2	520	14.6
Loan-to-Deposit Ratio	60.9%	60.7%		72.7%	

Source: Research Department
Federal Reserve Bank of Kansas City

TABLE VII-I
COMMERCIAL BANKING ACTIVITY FOR ALL BANKS

(millions of dollars)

	Aug. 1980	July 1980	% change	Aug. 1979	% change
Kansas—Statewide					
Loans	7,846	7,884	– 0.5	8,046	– 2.5
Demand Deposits	3,913	3,956	– 1.1	3,842	1.8
Time & Saving Deposits	9,212	9,156	0.6	8,243	11.8
Loan-to-Deposit Ratio	59.8%	60.1%		66.6%	
Kansas City (Wyandotte)					
Loans	507	518	– 2.1	567	– 10.6
Demand Deposits	228	237	– 3.8	242	– 5.8
Time & Saving Deposits	596	615	– 3.1	559	6.6
Loan-to-Deposit Ratio	61.5%	60.8%		70.8%	
Topeka (Shawnee)					
Loans	485	473	2.5	515	– 5.8
Demand Deposits	269	279	– 3.6	288	– 6.6
Time & Saving Deposits	528	517	2.1	562	– 6.0
Loan-to-Deposit Ratio	60.9%	59.4%		60.6%	
Wichita (Sedgwick)					
Loans	1,164	1,162	0.2	1,229	– 5.3
Demand Deposits	798	813	– 1.8	721	10.7
Time & Saving Deposits	1,230	1,216	1.2	1,070	15.0
Loan-to-Deposit Ratio	57.4%	57.3%		68.6%	

Source: Research Department
Federal Reserve Bank of Kansas City

Institute for Economic and Business Research

TABLE VII-II
QUARTERLY RATIOS OF TOTAL KANSAS BANKS TO MEMBER BANKS

(millions of dollars)

	1st	2nd	3rd	4th
STATEWIDE				
Loans				
1976	1.796215	1.839678	1.864238	1.882861
1977	1.888312	2.187793	1.922201	1.940088
1978	1.923427	2.211933	2.190352	2.221253
1979	2.220806	2.266031	2.240531	2.278685
Demand Deposits				
1976	1.858609	1.977520	1.896611	2.132022
1977	1.896408	1.969277	1.954231	2.197830
1978	1.969598	2.044737	1.978114	2.189272
1979	1.967573	2.080997	1.974067	2.237115
Time & Savings Deposits				
1976	2.148808	2.114587	2.140798	2.185557
1977	2.208411	2.238299	2.197339	2.242621
1978	2.257636	2.274504	2.260590	2.324265
1979	2.304284	2.329058	2.314117	2.364599

	1st	2nd	3rd	4th
Sedgwick				
Loans				
1976	1.811083	1.838324	1.803592	1.879607
1977	1.807924	1.838295	1.814878	1.831342
1978	1.813728	1.804323	1.781151	1.788608
1979	1.746064	1.769167	1.755897	1.765922

Demand Deposits				
1976	1.574970	1.789988	1.586840	1.684761
1977	1.496697	1.634932	1.555958	1.770437
1978	1.653023	1.651500	1.623084	1.847020
1979	1.658937	1.702542	1.620152	1.832667
Time & Savings Deposits				
1976	2.017493	1.927920	2.088070	2.150556
1977	2.152093	2.190073	2.065812	2.054410
1978	2.130563	2.152284	2.029284	2.105671
1979	2.025467	2.028245	2.063572	2.063429

	1st	2nd	3rd	4th
Shawnee				
Loans				
1976	1.783334	1.830490	1.787825	1.819797
1977	1.848395	1.865873	1.870492	1.901753
1978	1.900675	1.923701	1.820623	1.873531
1979	1.891324	1.938349	1.824440	1.893872
Demand Deposits				
1976	1.616485	1.574644	1.608285	1.741275
1977	1.425155	1.510257	1.639535	1.695102
1978	1.528645	1.672489	1.496031	1.612386
1979	1.541246	1.582366	1.534771	1.747714
Time & Savings Deposits				
1976	1.853136	1.839168	1.691188	1.890232
1977	2.048385	1.952881	1.805685	1.814664
1978	1.813363	1.907590	1.896574	1.913492
1979	1.891440	1.956872	1.866156	1.954711

	1st	2nd	3rd	4th
Wyandotte				
Loans				
1976	2.004915	2.080335	2.070670	2.085913
1977	2.036484	2.098280	2.066798	2.092895
1978	2.122481	2.221479	2.254932	2.298691
1979	2.407224	2.495798	2.582632	2.559902
Demand Deposits				
1976	1.899318	2.047373	2.002043	2.339605
1977	1.935485	2.099526	2.119259	2.302339
1978	1.994806	2.142586	2.118646	2.443891
1979	1.983284	2.285953	2.153132	2.528600
Time & Savings Deposits				
1976	2.722927	2.392394	2.367784	2.145019
1977	2.431407	2.510420	2.579015	2.610478
1978	2.507104	2.741371	2.719561	2.760674
1979	2.725345	2.824503	2.812765	2.846654

Source: Research Department, Federal Reserve Bank of Kansas City
Institute for Economic and Business Research

TABLE VIII
SAVINGS AND LOAN ACTIVITY

(thousands of dollars)

	Aug. 1980	July 1980	% change	Aug. 1979	% change
Net New Savings	14,600	25,400	– 42.5	900	1522.2
Mortgage Loans Made	100,400	71,700	40.0	119,900	– 16.3

Source: Federal Home Loan Bank of Topeka

u 7095-1 u(b)

December 1980
Vol. 4 No. 4

FEDERAL RESERVE
STATES
1
1
1
1
ONE DOLLAR

KANSAS BUSINESS REVIEW

In this issue:

Causes For The Current Economic Dilemma

Anthony Redwood

The Kansas Economy

Economic Indicators

Institute for Economic and Business Research, The University of Kansas

BEST AVAILABLE COPY

KANSAS BUSINESS REVIEW

(USPS 395-310)

December 1980
Vol. 4, No. 4

In This Issue:

In This Issue:	Page
Causes for the Current Economic Dilemma Anthony Redwood	1
The Kansas Economy	8
Economic Indicators	10

Advisory Board of the Institute for Economic and Business Research—Professor Robert Cobb, Executive Vice Chancellor; Mr. James H. DeCoursey, Jr., Secretary, Kansas Department of Economic Development; Acting Dean Jack Gaumnitz, School of Business; Vice Chancellor Frances Horowitz; Mr. Carl C. Nordstrom, Executive Vice-President, Kansas Association for Commerce and Industry; Professor Anthony Redwood, Director, Institute for Economic and Business Research; Professor Thomas J. Weiss, Chairman, Department of Economics.

Editorial Staff—Professor Anthony Redwood, Director; Michael Valk, Editor; Janet E. Majure, Associate Editor; Robert H. Glass, John Cita, Robin Hunn, and Sally Kleiner, Research Assistants.

Kansas Business Review is published ten months a year (September-June) by the Institute for Economic and Business Research, 319 Raymond Nichols Hall, The University of Kansas, Lawrence, Kansas 66045. It is designed by the Division of Publications, Office of University Relations.

Manuscripts for publication in *Kansas Business Review* are solicited from readers and should be sent to the editors for consideration.

Opinions expressed in the articles are those of the author(s) and do not necessarily reflect those of The University of Kansas.

Causes For The Current Economic Dilemma

STATES
1
1
1
1
ONE DOLLAR

Anthony Redwood

Following is an edited version of a recent address by Dr. Anthony Redwood at a conference sponsored by the Institute for Economic and Business Research (IEBR) and the Lawrence Chamber of Commerce. The address also was presented in somewhat different form to the University of Kansas School of Business Board of Advisors. Dr. Redwood is Director of IEBR and an Associate Professor at the School of Business, specializing in Human Resources and Economics.

Speaking to you as an economist, I am a representative of what has been called the "dismal science." An apt description, perhaps, because the economic news that I have for you today is reasonably dismal. In what I hope is an appropriate and interesting way, we will return to class this morning to get some picture of the way the economy has evolved and of the way it is now going. We will talk first about the long-term perspective and address these questions: What has happened in the last ten years? Why has it happened? Where are we now? And, where are we going in the next decade or at least in the next five years? Questions of this kind are not asked often enough because, as a society, we have been on a short-term kick. However, I think that, perhaps for the first time, the longer term economic considerations have become dominant and that we ignore them at our peril. I mean this in the sense that remedial policymaking must deal as much, if not more, with the long-term structure factors as with the short-run fine tuning of economic conditions. As businessmen and women, you particularly should be aware of what these longer trends are so you can put your own business picture into that pattern. In many important ways, this scenario will be more important to you than developments in the next couple of months.

The initial question concerning the long term is: What has happened in the last ten years? One unfortunate consequence of our short-term orientation is that we vacillate between our economics goals. It is confusing to the layperson to hear our economic and political leaders worry one day exclusively about inflation and the next day emphasize unemployment, economic growth, or our balance of payments. However, looking back, we can see that our political leaders have vacillated within a set of goals, as described below, that seek to enhance our economic welfare.

First of all there is price stability which is our primary concern at the moment and which probably is the most important in the immediate future. Price stability is crucial in that it gives stability to our entire economic system. Unfortunately, we have reached levels of inflation in recent years that are undermining the very fabric of our economic system. Closer to home, it is extremely important because inflation undermines the ability of business to plan to make investment decisions. It surrounds decision-making with great uncertainty. One fundamental problem that we have is that business currently is not investing or is not investing in an appropriate manner. On a broader front, relative inflation undermines our competiveness against overseas suppliers. Inflation also has different effects on different groups in our society; for example, people on fixed incomes tend to be harshly affected.

The second goal, perhaps equal in importance to the first, is the goal of full employment. In general, we define the goal as that acceptable level of unemployment that can be reached without creating undue inflationary pressures. Another goal is economic growth, through which we enhance our standard of living and create employment for a growing population. A fourth goal is one of equitable distribution of income to ensure that the common wealth is shared adequately among the members of our society without detracting from the incentives and the motivation to expand the overall pie from which this distribution occurs. Finally, there is our balance of payments. We need to pay our way in the world, and where we do not, as at present, the value of the dollar declines.

The key point about these goals is that they cannot be achieved individually without setting up economic forces that undermine the achievement of the other goals. For example, the harder we push toward full employment, the more likely we are to set up inflationary forces. Or the harder that we strive for price stability, the more unemployment is likely to rise. Consequently, the tasks of economic management should not be the single-minded pursuit of a particular goal but, rather, the achievement of an acceptable balance among them. If, for example, we make the political choice to

I think that, perhaps for the first time, the longer term economic considerations have become dominant and that we ignore them at our peril.

MAR 11 1981

One fundamental problem that we have is that business currently is not investing or is not investing in an appropriate manner.

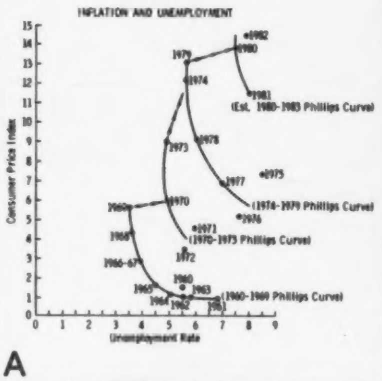
strive to lower inflation and that choice becomes the fundamental goal, then we have to accept, particularly in the shorter term, certain consequences. These consequences include unemployment at levels higher than we would like them to be and a need to provide income maintenance or some other support for the jobless. Again, in the shorter term, if we hold back on the full use of our resources to lower inflation, we are lowering economic growth. In turn, lower economic growth is likely to result in an increase in the unemployment pool, but, at least in the short term, our balance of payments situation could improve and cause an upswing in the value of the dollar overseas. Conversely, if we push too hard for lower unemployment, we have higher inflation, an erosion of the dollar, and higher economic growth in the more immediate period which will then reverse over the longer term as inflation chokes off employment-creating investment.

The point is that our political process determines the balance among these goals, and it is, in great part, by way of the political process that our current economic dilemma has developed. That is, in seeking to satisfy political demands, we have perhaps tended to push too far in certain directions, creating the difficult situation we now face.

The Historical Perspective

Until the 1930s, the role of the government in economic management was largely expected to be hands off; the economy was presumed to function better without government involvement. This theory floundered in the Great Depression of the 1930s. Even economists had difficulty standing up and postulating such a theory when one third of the population was unemployed. John Maynard Keynes completely turned the situation around. He argued that the government not only can manage the economy but that the government also should manage the economy so as to improve the common welfare. Thus, the country had a mandate from economic theory for the government to intrude through the manipulation of government expenditure, tax policy, and the money supply. That has been the prevailing economic wisdom until the present. The 1980 presidential election largely was fought on whether the existing economic wisdom should continue into the '80s or whether we should modify it with some new paradigm. Quite clearly, the victorious approach draws partly on the old, pre-Keynesian theories of the 1920s—that the economy will function more efficiently if the market forces of supply and demand are allowed to interact unfettered as much as possible by government intervention. As well, the new "supply economics" challenges the Keynesian assumption that supply would respond automatically to the induced changes in demand in a near full employment economy.

We can now observe how this political process has affected our economic evolution. Graph A illustrates the record of inflation and unemployment for the United States from 1960 to 1980. Perhaps the first point to note is how much better the tradeoffs were back in the '50s and early '60s: the economy essentially operated in the lower southwest portion of the graph with 4.0 or less percent inflation accompanied by unemployment ranges of 3.5 to 6.5 percent. Then, in association with activist government policies in the late '60s and into the early '70s, the economy moved out to a new plateau in the relationship between inflation and unemployment. Then, on into the '70s, we moved up to yet another plateau. Potentially, we are talking about a new, even higher plateau for the early 1980s. In Table A are listed the unemployment rates and inflation rates for the same period. Also listed is what one noted economist years ago called the "Discomfort Index" but which President Carter referred to as the "Misery Index" when he was running for president in 1976. This "index" is the sum of the unemployment rate and the inflation rate. The discomfort index, which used to be below 10 in the '60s and '50s, has now moved up steadily to the vicinity of 20. The latest forecasts to 1985 of the Council of Economic Advisers do not anticipate any immediate improvement in this regard, and neither do I.



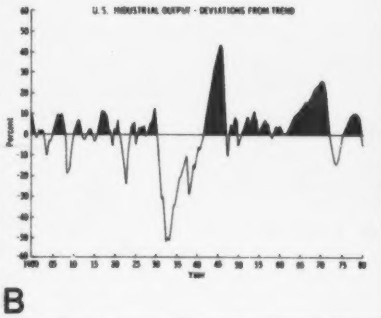
A

Table A
Inflation and Unemployment: United States

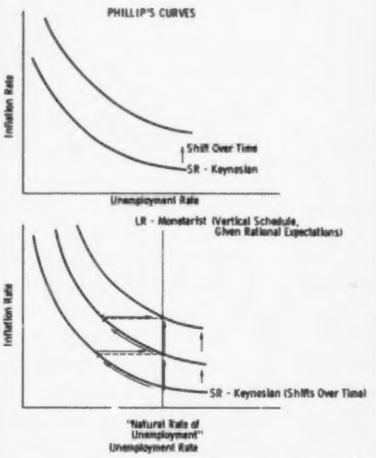
Year	Unemployment Rate	Inflation	Discomfort Index
1960	5.5	1.6	7.1
1961	6.7	1.0	7.7
1962	5.5	1.1	6.6
1963	5.7	1.2	6.9
1964	5.2	1.3	6.5
1965	4.5	1.7	6.2
1966	3.8	2.9	6.7
1967	3.8	2.9	6.7
1968	3.6	4.2	7.8
1969	3.5	5.4	8.9
1970	4.9	5.9	10.8
1971	5.9	4.3	10.2
1972	5.6	3.3	8.9
1973	4.9	8.8	13.7
1974	5.6	12.2	17.8
1975	8.5	7.0	15.5
1976	7.7	4.8	12.5
1977	7.0	6.8	13.8
1978	6.0	9.0	15.0
1979	5.8	13.3	19.1
Forecasts *(Economic Report of the President 1980)*			
1980	7.5	13.5	21.0
1981	8.0	11.5	19.5
1982	7.8	14.0	21.8
1983	7.5	13.0	20.5
1984	7.0	12.0	19.0
1985	6.0	11.0	17.0

We really are in a serious economic dilemma at the moment. It took us well over a decade to get there, and it is going to take close to a decade to get out of it . . . assuming we have the political will to do so.

We really are in a serious economic dilemma at the moment. It took us well over a decade to get there, and it is going to take close to a decade to get out of it . . . assuming we have the political will to do so.



B



C

Looking at the economic record from another perspective, Graph B shows the industrial output of the U.S. from 1900 to 1980 in terms of deviations from trend. This graph's purpose is to reinforce the point that recessions come like night and day and that the economy is in fact quite volatile. We can note this in particular for the period prior to World War II. One of the important benefits that we have gained from putting Keynesian theory into practice is, up to now, the ability to ensure that our busts and booms are not as wild as they used to be. Note that, since the Second World War, we seem able to sustain the economy on a more even keel and for longer periods of upswing and boom than previously, and also note that our recessions have been much more modest than prior to the Second World War, with the exception of the '73-'74 recession. However, there is a case made by economists that we are losing this ability and that our swings are starting to get bigger again both up and down.

Why has this happened? Perhaps one important reason is that economists have not really been able to comprehend the functioning of the economic system. The economy is, of course, incredibly complex. A huge number of transactions occur daily, and we assemble all those transactions into big aggregates. For example, we add up all consumer expenditures and we call it consumption. Within those aggregates, much information is hidden, and we have not been able to plot very well the flow of relationships between the aggregates. Unfortunately, we cannot stop everything for a year and study it, so economists really lack a handle on the complexities of the function of our economic system. The importance of these conflicts and confusions in theories lies in the confused and conflicting economic goals that the government sets and the type of policy that flows from those goals. If, for example, the unemployment rate is up to, say, 8.0 percent, then the government can adopt a number of policies. It may lower taxes so that people have more spending money. More money will be spent, and it will filter throughout the system, create more jobs, and lower the unemployment rate. Alternatively, the government might propose a government program. For example, in 1977 President Carter introduced a $20 billion economic stimulus package, half of which contained money for employment and training programs, and half of which was filtered through the Economic Development Administration of the Department of Commerce for public works in economically depressed regions.

The effect of the government's pumping an extra $20 billion into the economy in 1977 when the unemployment rate was about 6.5 percent and declining was to stimulate a further decline in unemployment to achieve what then was perceived to be a reasonable goal for unemployment, somewhere around 5.0 percent. But another effect was what Keynes had said it would be: When you push down on the unemployment rate, sooner or later you will arrive at some threshold level when significant inflationary consequences start occurring. What are these consequences? With unemployment lower, the unions, for example, become more powerful and are able to secure larger wage gains, which go into unit costs, which were passed on through higher prices as the demand for goods and services continues to grow. And, in such a situation, industry uses less capable labor and poorer raw materials. All these and other factors are conducive to higher prices, and so, as unemployment is pushed down, inflation is pushed up. In essence, unemployment was pushed down by this unrealistic goal setting and demand-manipulation policy to a level (5.5 percent) that was not tolerable from the perspective of the inflation goal, and the price situation was worsened by the exacerbated balance of payments deficits and lowered value of the dollar overseas.

This capsule history illustrates nicely the point made earlier: By treating one economic goal as if in a vacuum, the achievement of others was undermined. This much an economist can understand and generally predict, and this pattern is illustrated in the upper graph of Graph C. The fundamental question, however, has become, "Why has the plateau as shown on Graph A moved out?" Again, economists cannot agree on the causes. One group contends that structural unemployment has increased; that is, we have lost productive capability in the work force because it has a greater proportion of less skilled youth and women, that we are less mobile than we used to be, that labor is not moving to where it is needed, and so on. These labor market factors, reinforced by other considerations such as reduced competitiveness in the system, insufficient social investment in infrastructure, and the like, underpin a movement of the trade-off curve upwards to the right, as shown in the upper portion of Graph C. We will look at these factors further below.

The stance of the Federal Reserve at the moment is largely based on Milton Friedman's theories and therein, by the way, lies the explanation of why interest rates are far above what they normally would be in the current phase of the present recession. Friedman says that there is some natural rate of unemployment and that every time demand management pushes unemployment below this particular level, inflation heats up and expectations develop concerning its future direction. Initially, production is increased in response to this additional demand, prices are raised, and extra profits are generated. Wage increases follow, removing the profit incentive to continue production at these higher levels, so that production levels fall. Prices do not. The next round of induced demand repeats the cycle, except that inflation commences from a higher base each time as expectations are built into behavior. An inflation spiral results, as shown in the lower portion of Graph C.

Whether we favor Keynes "threshold" level or Friedman's "natural" rate of unemployment as conceptually more sound in this context, one thing is clear—either way, the rate of unemployment that we can reach before inflationary consequences become serious has risen in the past decade.

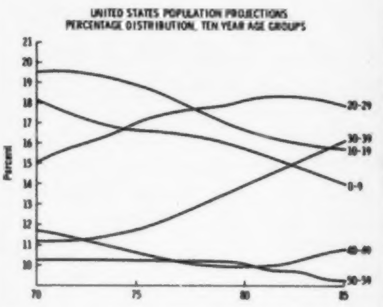
Let me illustrate some labor market forces by looking at the population structure of the United States from 1970 to 1985. (See Graph D.) By population structure, I mean the percentage each age group comprises of the total population. Children born in the baby boom of the 1955-60 period comprise, in 1970, nearly 20 percent of the population as 10-19 year olds and are obviously the dominant group. Further along in the 1970s, they became 20-29 years old, making for a tremendous surge into the work force. Somehow the system has had to absorb this group, and the system has been struggling to do it. Note also that the age 20-29 group starts declining in the 1980s, and herein lies one of the major problems we are going to have in the management of human resources in business in the future—this baby boom bulge working its way through the system for the next 20 to 30 years. Similarly, Graph E shows the female labor-force participation rate for each age group. This graph reflects the surge of women into the work force, concurrent with the influx of young people. It has been a tremendous surge; women have comprised over 60 percent of all new entrants into the work force for the last 15 years.

Let me move now to another aspect of economic management. Graph F shows that we have government deficits in every year from 1970 to 1979. Going back to theory, I should add that we ought not blame this on Keynes. Keynes postulated that, when you manipulate government expenditures and taxes, you should have deficits when things are bad and surpluses when things are good. Unfortunately, the word "surplus" has gone out of the vocabulary because, for the last 21 years, we have had only one surplus year, and that was way back in the '60s. It's interesting to note, however, that the deficit relative to the size of the government budget has not increased overtly.

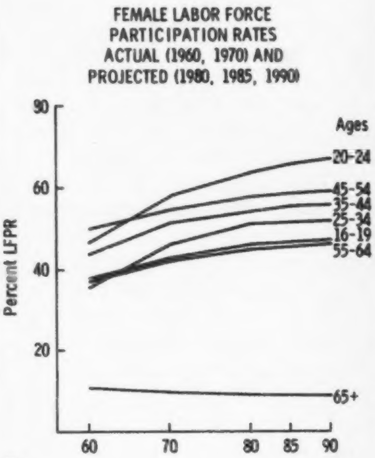
The key point about a deficit is, of course, that it has to be funded. One way or another this will induce increased competition in the money market for available funds, higher interest rates, and a dampening effect on private sector investment and expansion. At the same time, the problems of managing the money problems are exacerbated.

Governmental Growth

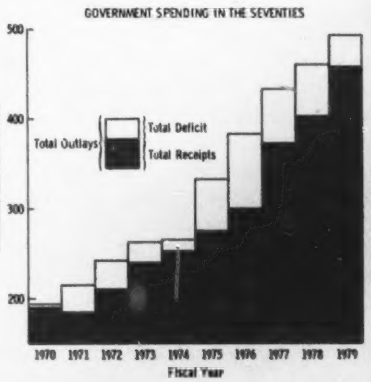
Let us consider now the government's role in the economy from perspectives besides business cycle economic management. The size of the government sector, as a percentage of gross national product since 1960, is shown in Graph G; the results of an activist philosophy of government are evident. While the proportion tends to rise in recessions and decline in boom phases of the business cycle, the underlying trend has been up, and the federal figure is currently around 20 to 21 percent. The total government sector proportion is on the order of 31 to 33 percent. The fundamental question for society is whether we are at the stage where further shifts in the composition of our national economic activity in the direction of government will better serve our socioeconomic welfare than an alternative re-emphasis on the private sector.



D



E



F

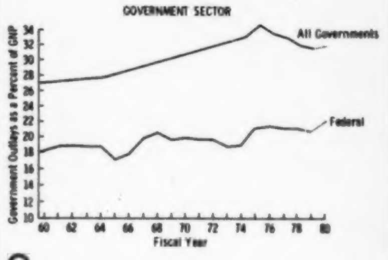
Closely associated with the size of the government is the way it raises its revenue. There is a growing consensus that the tax system has become counter productive. Graph H shows that government policy with respect to taxing business can have a significant effect on the degree of investment in our system, and the degree of investment in our system is crucial in terms of our future growth and future inflation. Note how flat real capital investment has been since the mid-1960s. We should also mention that in periods of rapid inflation, as we have been experiencing, the historical cost basis for depreciation and inventory valuation have the effect of increasing the resources transferred to the government that could otherwise be used for private sector investment.

Taxes, of course, also affect consumers, and one consequence of the progressive tax system is that today, in 1980, real purchasing power of consumers is actually less than it was in 1970. Inflation is again the problem, in that it has simply propelled people into higher tax brackets. For example, if inflation goes up 10 percent and your wages are adjusted 10 percent in dollar terms, you are worse off by one or two percent in real terms after you take into account the fact that you will be in a higher tax bracket. Your increase will be, say, 8.0 percent, or two percentage points below what is necessary for you to stay even. In recent years, money wages have actually lagged behind price movements. In essence, the progressive tax system has had the effect of transferring resources away from the consumer to the federal government.

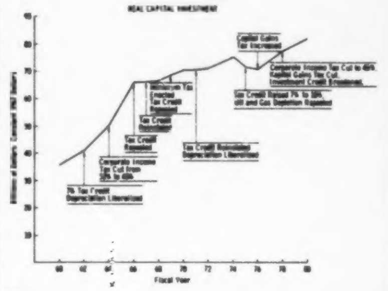
One important consequence is the likely effect of higher marginal tax rates on the incentive to work and excel. This effect has definitely occurred in other developed countries—I saw it firsthand in Australia, where several successive years of high inflation soon brought even the average wage earner to a 45 percent marginal tax rate. Another distressing result is that our politicians are no longer bound by the constraining influence of having to raise the taxes to pay for the spending programs they sponsor. Indeed, as socialist countries overseas found, the higher the inflation the greater the redistribution to the government. We have exactly the same situation in the United States, and the problem will only be overcome with the implementation of tax indexation.

Another dimension of the government sector role in the economy is how it spends its resources. Graph I shows government budget expenditures on those items which largely enhance our economic infrastructure. That is, they are largely the outlays that the government makes in freeways, airports, the general road system, and other forms of what we call social investment. Next, observe Graph J, the government outlay on what are called transfers—the redistribution of income from some groups in society to others (income security and welfare expenditures and related social expenditures). The pattern of the growth that has occurred in the social investment and in the government transfers is very interesting. In 1970, social investment exceeded government transfers by $42 billion; in 1979, government transfers exceeded social investments by $31 billion. The increase in government transfers in this decade has been 365 percent, while the increase in social investment has been 73 percent. I am not saying that we should abandon our obligations to the disadvantaged in our society. I am raising the question as to which form of outlay is conducive to our long-term socioeconomic welfare, and I am suggesting that there is a consequence for our economic performance of the government expenditure shifting unduly into these avenues which are largely nonproductive from an economic point of view.

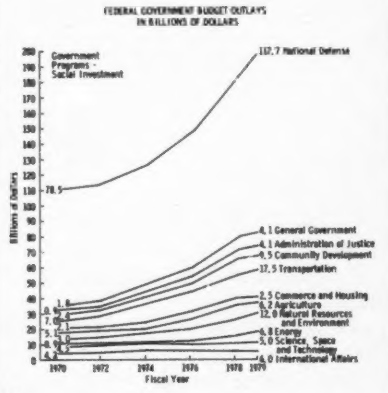
Let me discuss another area in which the government has affected our economic situation. Look at the Harris Bank of Chicago's estimate of the cost of compliance to business of government regulation (see Graph K). Is our economic system becoming strangled by social regulation, when the annual cost of compliance is estimated in the vicinity of $160 billion? The regulators are not required to examine the economic tradeoffs between different approaches to a regulatory goal. They are not required to justify regulation in terms of cost-benefit, nor of inflation impact. The agencies largely regulate to minimize political costs, not social costs, and the costs of regulation are hidden from the public and become higher taxes, higher business costs, and inflation. We regulate to appease vocal special groups, at the public expense. Our regulatory process has become counterproductive. It is a classic example of the extent to which equity has dominated efficiency in policymaking the past several decades.



G



H



I

Private Sector Influence

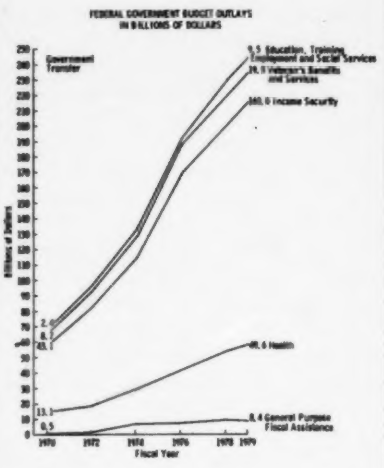
The business sector has contributed to our economic mess (whatever portion of the blame it might wish to attribute to the government). This contribution is reflected in the decline in labor productivity growth in the period since the Second World War (Graph L). The rapidity of the decline in recent years is alarming, from an average of around 3.0 percent in the 1950s to less than 1.0 percent in the last few years. There are many reasons for this decline. Capital investment has been increasingly inadequate and short-term oriented because of inflation. A reduced research and development effort has been increasingly directed towards nonproductive areas of pollution control and energy conservation, and there is the growing preeminence of the service sector in our economic structure, where productivity gains are hard to come by. The work force could be of lower quality if the influx of lesser skilled youth and women has offset its higher education level.

Business will contend that the work force is less motivated than it used to be, but there is also the view that business has not been efficient in its utilization of labor, given its ample availability.

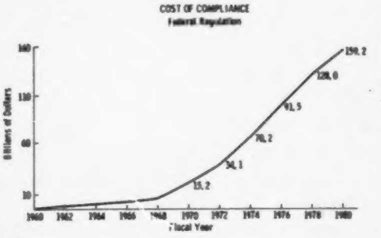
Perhaps one very important factor is that there seems to have been a lack of cooperation between business and government. In fact, I would typify the relationship between government and business for a number of years now as essentially being on an adversary basis. In my view, we are suffering the consequences of a lack of consistency in policy direction and of systematic interaction in the national interest. Cooperation and consistent policy-making are not precluded in a market system, and our growing competitive disadvantage in world markets necessitates them (see Graph M for our unfavorable productivity situation relative to our main overseas competitors).

Graph N illustrates another important problem. Notice that the saving rate in the United States, what we save out of our disposable income, is low, far lower than in Germany and Japan, our two main competitors, and has been declining. Hence the relative availability of funds for businesses to draw upon for investment purposes is extremely low. This graph also shows, by the way, what a consumer-oriented society we have become. We are saving only 4.0 percent of our disposable income.

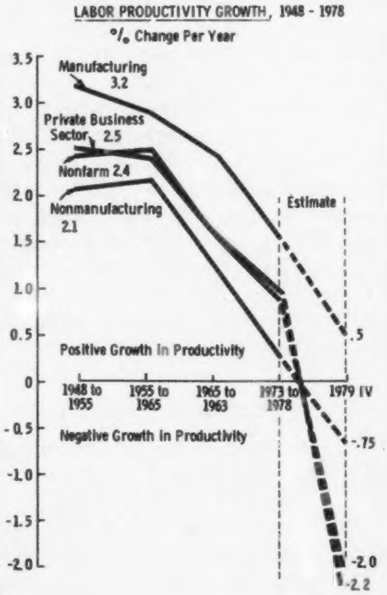
A low savings rate leads to a low investment rate. Graph O shows investment in plant and equipment as a percent of gross national product for the United States, Germany, and Japan. We can see the decline that has occurred for all countries, but note that Germany has picked up recently and that the U.S. again is the lowest of all. Graph P shows the decline in industrial research and development expenditure in real terms from 2.1 percent of GNP in 1960 to 1.6 percent in 1980. The significant point concerning our industrial research effort is that the proportion devoted to pure research has halved, and overall it has become more short term in orientation. In essence, the basic underpinning for innovation and competitiveness has eroded through short-sighted management, inflation, and our regulation.



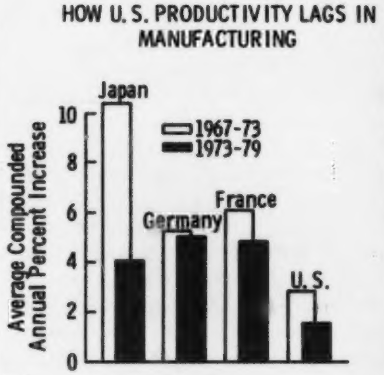
J



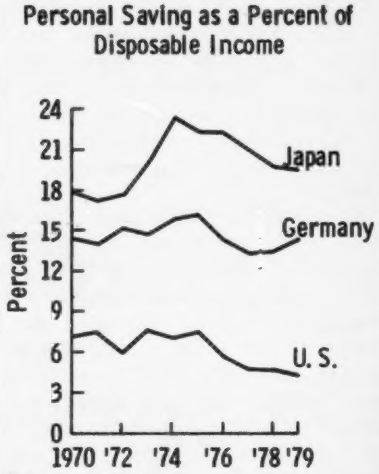
K



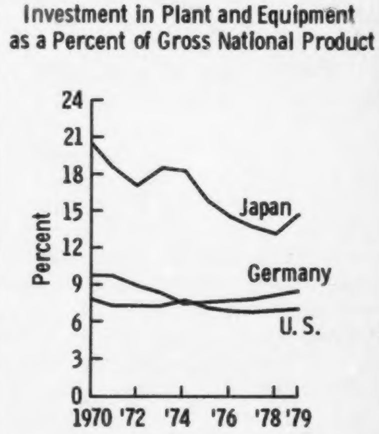
L



M



N



O

Graph Q shows the profits picture for business. The top lines show what appears to be the profit situation—it looks good. The bottom line tells the real profit story. Real profits have grown very slowly over this period. This is the second primary source for employment-creating and inflation-abating investment expenditures.

Outlook

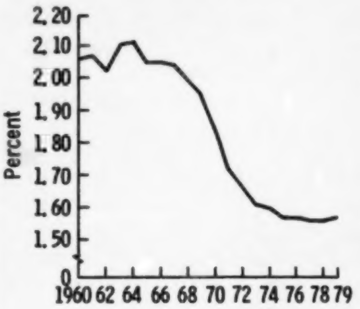
In essence then, the long-term developments have caught up with us, and the present economic mess is the outcome. Furthermore, the problem is not one that we can turn around straight away. For example, tax restructuring is required, and whenever Congress talks about taxes, every interest group in the world is there hindering the process. A host of similar questions arise concerning our economic fate: Will we have the fiscal and monetary responsibility that we need? Can we, in fact, decontrol to get a more competitive economy? Is deregulation other than the small amount we've done feasible, particularly given the resistance of many businesses to the removal of this prop? Very strong forces underlie where we are, and it is going to require a substantial rethinking on the part of business, government, and the general populus before we can turn this present situation around.

The most difficult part of this effort will be to develop a more long-term perspective in our thinking and policy approach. At present, the reward systems in our society are completely short-term in nature: The performance of business executives is judged on the basis of quarterly and annual profits; most of our politicians are reelected on a two-year basis and again judged on what they have done (programs and regulations sponsored); bureaucrats gain status with the size of the programs they administer; and the media is interested in today's story only. We consume now rather than save for tomorrow, and so on. Perish the thought, but even economists are at fault here—the teaching of macroeconomics, of how the economic system functions, is almost totally short-term and business cycle-related. We have to wonder if there is the patience in our system to sustain slowly working, long-term remedial action.

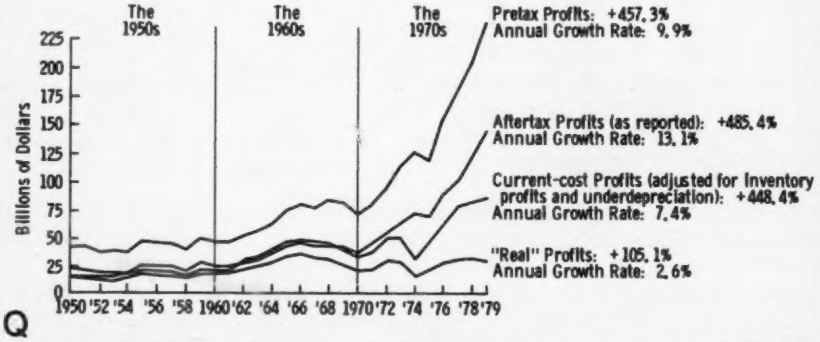
I contend that the dominant consideration about our economy today is not that we are currently in the trough of another business recession, but rather that the long-term compounding of our economic behavior has created structural trends that leave us in ever-worsening economic dilemmas. We have reached the stage where not only has an erosion of our economic welfare occurred, but also where an acceleration in our economic decline is possible, even likely, if tough, "bite-the bullet" remedial action is not implemented and, most of all, sustained. We are at the crossroads. In this context, the relevance of the immediate cyclical situation is that we will be starting the recovery phase during 1981 from an economic plateau (Graph A), that is so unfavorable that one can only anticipate a sluggish economy in the next few years if inflation is to be constrained and longer-term remedial policies are to be given the opportunity to take effect.

I contend that the dominant consideration about our economy today is not that we are currently in the trough of another business recession, but rather that the long-term compounding of our economic behavior has created structural trends that leave us in ever-worsening economic dilemmas.

Real Industrial Research and Development Outlays as Percent of Real Gross National Product



P



Q

Sources

Table A	*Economic Report of the President 1980*
Graphs	
A	*Economic Report of the President 1980*
B	Robert Bach, *Basic Economics*
C	Institute for Economic and Business Research
D	Population Projection, Institute for Economic and Business Research
E	Bureau of Labor Statistics
F	*Economic Report of the President 1980*
G	U.S. Department of Commerce, Bureau of Economic Analysis
H	*Business Week*, June 30, 1980
I	*Economic Report of the President 1980*
J	*Economic Report of the President 1980*
K	Harris Bank of Chicago, October 1980
L	*Economic Report of the President 1980*
M	*Business Week*, June 30, 1980
N	*Business Week*, June 30, 1980
O	*Business Week*, June 30, 1980
P	*Business Week*, June 30, 1980
Q	*Business Week*, June 30, 1980

The Kansas Economy

General Business

For the past five quarters, the American economy has been participating in an interesting experiment. The Federal Reserve, under the leadership of Paul Volker, switched its emphasis in monetary policy from a target set of interest rates to a targeted set of growth rates in various money-supply measures. This switch in policy represents the current ascendancy of monetarism over Keynesianism. One benefit of this switch was expected to be a more direct assault on inflation. Monetarists argue that changes in the money supply directly alter the price level, if other factors remain the same. Thus, by gradually lowering the rate of growth of the money supply, the rate of inflation gradually would be diminished. The money-supply figures for the past 15 months indicate that the Federal Reserve is seriously sticking to it plan of using money-supply targets rather than interest-rate targets, and the Federal Reserve does seem to have taken dead aim at inflation. The jury is still out on the effectiveness of monetarist policy prescriptions. One side effect, although not unforeseen, has been a larger problem than expected. Interest rates have behaved extremely erratically, especially in the context of the relatively stable interest rates of the past 35 years. One of the effects of the volatile interest rates has been increased uncertainty for businesses, further hindering long-range planning in business investment.

The surge in interest rates since the summer has called into question predictions of an early recovery from 1980's recession. As was mentioned in the last *Kansas Business Review,* evidence concerning an early recovery from the recession was mixed. Now the preponderance of evidence suggests that recovery will be delayed. There seem to be two schools of thought concerning the current recession: First, it is argued that the current recession is going to be a double-dipped recession. The first dip was the dramatic slide the economy took during the winter and spring. Then, early last summer, the economy began its recovery. The initial estimate of a 1.0 percent increase in GNP for the third quarter confirmed this belief. The surge in interest rates, however, quashed the recovery in its infancy, causing the second dip. The other school of thought argues that there was not a recovery to abort in the early fall. What happened was that credit controls, begun in the early phases of the recession, caused the economy to plummet faster than it ordinarily would have. Then, as the credit controls were relaxed, the economy returned to its normal business-cycle pattern. Thus, the third quarter did not represent the beginning of an economic recovery but rather the return of the economy to a normal recession path.

Regardless of which school of thought is correct, one point is certain: The near future is going to be difficult for the economy. The two industries that are first affected by increases in interest rates are the automobile and housing industries. In October, sales of new single-family homes declined 4.4 percent nationally from September and were down 18.8 percent from October of the previous year. During the November 21-30 period, domestic car sales fell 18 percent below sales for the same time a year ago, and the 1979-80 car year was not good. These figures indicate that economic recovery is still down the road.

The last data available for the Kansas economy do not show any effects of the surge in interest rates. Kansas tends to be less sensitive to quick changes in the economy than states, such as Michigan and Ohio, with large amounts of durable-goods manufacturing. Thus, the influence of the tighter credit should not be felt for several months, and, when it is felt, the result should be proportionately milder in Kansas than for the nation.

The September data for Kansas indicate the average work week in manufacturing climbed to nearly the level of a year ago, and initial claims for unemployment fell below 10,000 for the first time this year. It appears that the Kansas economy by September was recovering from the slump it experienced last spring and summer.

The major question facing the Kansas economy is: How severely will the Kansas economy be affected by the surge in interest rates?

Employment

The Kansas employment situation turned upward slightly in September. Total nonfarm wage and salary employment by place of work increased 1.7 percent above the August 1980 level. The major increase in employment was in state and local governments, and most of this increase was the result of a seasonal factor—the beginning of school. Of more importance is that the total employment in September 1980 was 0.7 percent below September 1979 and employment in August 1980 was 0.9 percent below the year previous. This indicates that employment is inching itself back to its 1979 levels. The two sectors hardest hit by the recession are contract construction (down 11.4 percent from a year ago) and manufacturing (down 7.3 percent from a year ago). The September 1980 employment level in manufacturing, however, represents a slight improvement because the August 1980 level of employment was 8.5 percent below the level of the previous year. The improvement in manufacturing employment came in the durable goods sector where employment moved from being 10.7 percent below the level of the previous year in August 1980 to only 8.7 percent below the level of the previous year in September 1980. Employment in the nondurable-goods sector was 4.6 percent below the level of the previous year in both August and September of 1980.

The employment situation improved in September and, if interest rates had not surged as they did, employment would have improved even more. But the interest-rate increase minimized any cause for optimism about employment.

Regional Employment

The statewide unemployment rate dropped from 4.3 percent in August to 4.0 percent in September. The size of this drop represents an increase in the number of employed persons as well as a decrease in the number of unemployed persons. The unemployment rate remains nearly 1.5 percent higher this year than at the same time last year. The urban areas which have the smallest increase in the unemployment rate from a year ago are: The Great Bend area, 2.5 percent compared with 1.5 percent a year ago; the Kansas portion of the Kansas City SMSA, 4.5 percent compared with 3.7 percent a year ago; the Lawrence SMSA, 4.1 percent compared with 2.9 percent a year ago; and the Wichita SMSA, 3.8 percent compared to 2.5 percent a year ago. The area having by far the worst unemployment situation is Hutchinson. The unemployment rate in September was 6.0 percent compared with 1.9 percent a year ago. The problem can be traced, in part, to layoffs by Cessna.

Retail Sales

Retail sales, as measured by retail sales-tax receipts, grew again in September for Kansas. Third-quarter Kansas retail sales were 11.8 percent higher than second-quarter retail sales. Third-quarter retail sales were 6.5 percent higher than a year ago, but it must be recognized that the state's retail sales-tax laws were changed in July 1979. Collections on public utility sales to residential customers were exempted, and some of the pre-July 1979 charges filtered into the third quarter 1979 figures. If retail sales of public utilities were ignored, then from third quarter 1979 to third quarter 1980 retail sales increased 10.3 percent. When inflation is taken into account, retail sales actually declined during this period. The effects of the recession, particularly the high interest rates for much of 1980, are reflected in the figures for the retail sales of various business classifications.

Automobile retail sales increased only 1.9 percent from the third quarter of 1979 to the third quarter of 1980. Furniture sales increased only 9.2 percent during this same period. Directly related to the problems in the housing industry was the 1.8 percent drop in retail sales of building and lumber material during the same time period.

Retail Sales by Region

The two major retail sales centers in Kansas—Sedgwick and Johnson counties—had impressive gains in retail sales from the second quarter to the third quarter of 1980. When compared with a year ago, however, the retail sales growth in these two centers was actually less than the rate of inflation. Butler County, meanwhile, which is part of the Wichita SMSA, had a 26.5 percent increase in retail sales from the third quarter of 1979 to the third quarter of 1980. Shawnee (Topeka) and Wyandotte (Kansas City, Kansas) counties experienced even less growth in retail sales from third quarter 1979 to third quarter 1980. (Shawnee County actually experienced a slight decline in retail sales during this period.) Two of the larger retail trading centers in the western part of Kansas experienced growth rates in retail sales larger than the rate of inflation. Barton County (Great Bend) had a growth in retail sales of 35.6 percent and Ellis County (Hays) had a growth rate of 21.7 percent over the past year.

Farm Prices

The farm situation took a turn for the better midway through 1980 and has continued its upward swing through September. Field crop prices have been rising steadily with all crops reporting higher prices in September 1980 than in September 1979. Except for wheat, all field crops have price increases of more than 10 percent. The increase in prices is due to an expanded export market, caused in part by a trade agreement with China and by crop failures in the Soviet Union, Australia, and Argentina. Also boosting prices was the drought that struck the Midwest, particularly the Plains states, this past summer. The crop most affected by the drought was soybeans.

The situation for livestock and livestock products has not been as good. Cattle and calf prices are still substantially below their 1979 prices, and sheep prices are 41.7 percent below a year ago. Because of a cut in supply, hog prices have been increasing and are now 21.9 percent higher than in September 1979.

Not only have the prices farmers receive for crops been increasing, but also have the prices farmers must pay for livestock feed. All feed prices were at least 10 percent higher in September 1980 than in September 1979, except for soybean meal. Given the current reduced supply in the soybean market, this price should soon begin to rise at an accelerated rate. Thus, farmers are continuing to face a problem they have faced for several years—increased product prices offset by increased costs.

Financial Activity

The surge in interest rates, which began last summer, appears to have begun affecting Kansas banking statistics. Statewide, total loans increased slightly from August to September for banks that are members of the Federal Reserve System but decreased slightly for all banks in Kansas. Wichita and Kansas City, Kansas, banks registered slight increases in loans during this same time period, in which Topeka banks experienced a slight drop in loans.

The effectiveness of the past year's Federal Reserve policy of tightening up money can be seen in comparing loan-to-deposit ratios for September 1980 and September 1979. Statewide the loan-to-deposit ratio dropped about 6.0 percent. For Kansas City, Kansas, banks and Wichita banks, the loan-to-deposit ratio dropped about 10 percent. The only major center which experienced an increase in the loan-to-deposit ratio was Topeka, and it was not caused by an increase in loans (loans dropped nearly 6.0 percent) but by a substantial drop in time and savings deposits.

The situation for savings and loan institutions has improved for the past few months. In both August and September, mortgage loans made totaled more than $100 million. Net new savings still remain low and, in fact, dropped to slightly above the $1 million mark in September 1980. The near future for savings and loan institutions might reverse itself again because of sharp increases in mortgage rates.

TABLE I
GENERAL BUSINESS INDICATORS

	Sept. 1980	Aug. 1980	% change	Avg. Prior 6 mos.	Annual Avg. 1979
Manufacturing					
Average Work Week (hrs.)	41.30	40.10	3.0	39.80	40.70
Average Weekly Earnings (dollars)	308.92	294.74	4.8	289.73	240.99
Initial Claims for					
Unemployment Insurance	9,428.00	15,816.00	– 40.4	15,128.00	8,082.00
New Incorporations					
In-State For Profit	349.00	368.00	– 5.2	424.00	336.00
Out-of-State For Profit	110.00	89.00	23.6	93.00	88.00

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

Kansas Secretary of State

TABLE II
NON-FARM WAGE AND SALARY EMPLOYMENT BY PLACE OF WORK

(thousands)

Industry	Sept. 1980	Aug. 1980	% change	Sept. 1979	% change
All Industries	949.5	933.3	1.7	956.5	– 0.7
Manufacturing	181.4	179.4	1.1	195.7	– 7.3
Durable Goods	117.7	114.9	2.4	128.9	– 8.7
Stone, Clay, Glass	8.6	8.5	1.2	9.5	– 9.5
Primary Metals	3.8	3.8	0.0	4.3	– 11.6
Fabricated Metal Products	11.1	11.1	0.0	14.1	– 21.3
Machinery (incl. elec.)	33.4	33.3	0.3	38.1	– 12.3
Transportation Equipment	49.1	46.6	5.4	50.3	– 2.4
Aircraft & Parts	42.3	41.7	1.4	44.3	– 4.5
Other Durable Goods	11.7	11.6	0.9	12.6	– 7.1
Nondurable Goods	63.7	64.5	– 1.2	66.8	– 4.6
Food & Kindred Products	22.3	22.4	– 0.4	23.2	– 3.9
Meat Products	8.3	8.3	0.0	9.2	– 9.8
Apparel	3.7	3.7	0.0	3.6	2.8
Printing & Publishing	15.9	16.4	– 3.0	16.2	– 1.9
Chemicals	8.8	8.8	0.0	8.4	4.8
Petroleum & Coal	4.3	4.6	– 6.5	4.5	– 4.4
Other Nondurable	8.7	8.6	1.2	10.8	– 19.4
Mining	15.0	15.5	– 3.2	14.3	4.9
Oil & Gas Extraction	12.8	13.2	– 3.0	11.8	8.5
Contract Construction	50.3	51.0	– 1.4	56.8	– 11.4
Trans., Comm., Elec., Gas	65.2	65.1	0.2	65.2	0.0
Wholesale Trade	65.4	65.8	– 0.6	63.8	2.5
Retail Trade	163.2	161.9	0.8	164.1	– 0.5
Finance, Insurance, Real Estate	46.5	46.9	– 0.9	46.3	0.4
Services	175.8	174.9	0.5	168.7	4.2
Federal Government	27.5	27.3	0.7	26.2	5.0
State & Local Government	159.1	145.5	9.3	155.4	2.4

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS

Area	Sept. 1980	Aug. 1980	% change	Sept. 1979	% change
Kansas—Statewide					
Civilian Labor Force	1,224,500	1,218,500	0.5	1,221,200	0.3
Employed	1,175,400	1,166,700	0.7	1,189,000	− 1.1
Farm	71,000	74,400	− 4.6	72,600	− 2.2
Non-Farm	1,104,400	1,092,000	1.1	1,116,400	− 1.1
Unemployed	49,100	51,800	− 5.2	32,200	52.5
Rate	4.0%	4.3%		2.6%	
Lawrence SMSA					
Civilian Labor Force	36,500	33,400	9.3	34,400	6.1
Employed	35,000	32,000	9.4	33,400	4.8
Farm	900	900	0.0	900	0.0
Non-Farm	34,100	31,100	9.6	32,500	4.9
Unemployed	1,500	1,400	7.1	1,000	50.0
Rate	4.1%	4.2%		2.9%	
Kansas Portion of Kansas City SMSA					
Civilian Labor Force	272,700	270,700	0.7	265,300	2.8
Employed	260,300	257,800	1.0	255,600	1.8
Farm	1,600	1,600	0.0	1,600	0.0
Non-Farm	258,700	256,200	1.0	254,000	1.9
Unemployed	12,400	13,900	− 10.8	9,700	27.8
Rate	4.5%	5.1%		3.7%	
Topeka SMSA					
Civilian Labor Force	96,000	96,000	0.0	95,200	0.8
Employed	91,000	91,000	0.0	92,100	− 1.2
Farm	2,100	2,200	− 4.5	2,100	0.0
Non-Farm	88,900	88,600	0.3	90,000	− 1.2
Unemployed	5,000	5,000	0.0	3,100	61.3
Rate	5.2%	5.2%		3.3%	
Wichita SMSA					
Civilian Labor Force	226,800	226,000	0.4	226,100	0.3
Employed	218,200	216,800	0.6	220,400	− 1.0
Farm	2,900	3,000	− 3.3	3,000	− 3.3
Non-Farm	215,300	213,800	0.7	217,400	− 1.0
Unemployed	8,600	9,200	− 6.5	5,700	50.9
Rate	3.8%	4.1%		2.5%	
Barton Co.—Great Bend Area					
Civilian Labor Force	17,850	17,675	1.0	17,750	0.6
Employed	17,400	17,175	1.3	17,475	− 0.4
Farm	1,050	1,100	− 4.5	1,075	− 2.3
Non-Farm	16,350	16,075	1.7	16,400	− 0.3
Unemployed	450	500	− 10.0	275	63.6
Rate	2.5%	2.8%		1.5%	
Crawford Co.—Pittsburg Area					
Civilian Labor Force	16,850	16,400	2.7	16,850	0.0
Employed	16,050	15,550	3.2	16,325	− 1.7
Farm	950	1,000	− 5.0	950	0.0
Non-Farm	15,100	14,550	3.8	15,375	− 1.8
Unemployed	800	850	− 5.9	525	52.4
Rate	4.7%	5.2%		3.1%	
Lyon Co.—Emporia Area					
Civilian Labor Force	17,750	17,000	4.4	17,975	− 1.3
Employed	17,100	16,375	4.4	17,600	− 2.8
Farm	925	975	− 5.1	950	− 2.6
Non-Farm	16,175	15,400	5.0	16,650	− 2.9
Unemployed	650	625	4.0	375	73.3
Rate	3.7%	3.7%		2.1%	

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS (Continued)

Area	Sept. 1980	Aug. 1980	% change	Sept. 1979	% change
Montgomery Co.—Coffeyville Area					
Civilian Labor Force	21,100	20,975	0.6	21,750	−3.0
Employed	20,150	19,875	1.4	21,250	−5.2
Farm	675	700	−3.6	700	−3.6
Non-Farm	19,475	19,175	1.6	20,550	−5.2
Unemployed	950	1,100	−13.6	500	90.0
Rate	4.5%	5.2%		2.3%	
Reno Co.—Hutchinson Area					
Civilian Labor Force	33,225	30,650	8.4	35,100	−5.3
Employed	31,225	28,500	9.6	34,425	−9.3
Farm	1,500	1,575	−4.8	1,525	−1.6
Non-Farm	29,725	26,925	10.4	32,900	−9.7
Unemployed	2,000	2,150	−7.0	675	196.3
Rate	6.0%	7.0%		1.9%	
Riley Co.—Manhattan Area					
Civilian Labor Force	22,075	19,875	11.1	22,000	0.3
Employed	21,200	19,000	11.6	21,450	−1.2
Farm	1,175	1,250	−6.0	1,225	−4.1
Non-Farm	20,025	17,750	12.8	20,225	−1.0
Unemployed	875	875	0.0	550	59.1
Rate	4.0%	4.4%		2.5%	
Saline Co.—Salina Area					
Civilian Labor Force	26,325	26,000	1.3	26,425	−0.4
Employed	25,075	24,725	1.4	25,775	−2.7
Farm	775	825	−6.1	800	−3.1
Non-Farm	24,300	23,900	1.7	24,975	−2.7
Unemployed	1,250	1,275	−2.0	675	85.2
Rate	4.7%	4.9%		2.6%	

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE IV
RETAIL SALES SUBJECT TO SALES TAX BY BUSINESS CLASSIFICATION

(millions of dollars)

Business Classification	Sept.* 1980	June* 1980	% change	Sept.* 1979	% change
Apparel	27.1	24.6	10.2	24.0	12.9
Automotive	204.6	181.8	12.5	200.7	1.9
Food	254.3	232.1	9.6	227.3	11.9
Furniture	42.7	38.5	10.9	39.1	9.2
General Merchandise	154.6	131.3	17.7	137.0	12.8
Lumber and Building Materials	91.1	75.4	20.8	92.8	−1.8
Professional and Personal Service	45.7	38.1	19.9	37.9	20.6
Public Utilities	38.7	53.4	−27.5	69.7	−44.5
Unclassified	110.4	98.1	12.5	94.3	17.1
Farm and Garden Products	0.9	0.9	0.0	0.9	0.0
Manufacturing and Trading	88.3	73.8	19.6	71.8	23.0
Miscellaneous	3.8	2.5	52.0	2.2	72.7
Total	1062.8	950.9	11.8	998.1	6.5

* Monthly Average for Prior Three Months

Source: Tax Research Section
Kansas Department of Revenue

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY

(thousands of dollars)

County	Sales * Sept. 1980	Sales * June 1980	Change From June 1980 (%)	Sales * Sept. 1979	Change From Sept. 1979 (%)
Allen	5,147	4,549	13.1	4,876	5.5
Anderson	2,346	2,106	11.4	2,396	– 2.1
Atchison	4,541	4,243	7.0	4,502	0.9
Barber	2,837	2,484	14.2	2,505	13.2
Barton	30,166	25,052	20.4	22,247	35.6
Bourbon	5,470	5,135	6.5	5,383	1.6
Brown	3,460	3,035	14.0	3,270	5.8
Butler	18,049	14,035	28.6	14,263	26.5
Chase	723	677	6.6	650	11.1
Chautauqua	1,320	1,134	16.4	1,119	18.0
Cherokee	4,140	3,852	7.5	4,153	– 0.3
Cheyenne	1,566	1,188	31.8	1,306	19.9
Clark	661	539	22.6	574	15.1
Clay	3,123	2,699	15.7	3,336	– 6.4
Cloud	4,673	4,203	11.2	4,225	10.6
Coffey	2,283	2,128	7.3	2,200	3.8
Comanche	647	558	16.0	658	– 1.8
Cowley	14,825	12,536	18.3	12,557	18.1
Crawford	12,796	11,235	13.9	12,102	5.7
Decatur	1,773	1,335	32.8	1,559	13.7
Dickinson	5,913	5,112	15.7	5,992	– 1.3
Doniphan	1,869	1,561	19.7	1,954	– 4.3
Douglas	23,317	20,060	16.2	21,164	10.2
Edwards	1,113	992	12.2	968	14.9
Elk	652	551	18.3	629	3.5
Ellis	15,236	11,630	31.0	12,521	21.7
Ellsworth	2,237	1,587	40.9	2,027	10.4
Finney	16,765	14,573	15.0	15,235	10.0
Ford	15,902	12,510	27.1	14,397	10.5
Franklin	6,790	5,873	15.6	6,642	2.2
Geary	9,176	7,858	16.8	8,330	10.2
Gove	1,473	1,243	18.5	1,215	21.3
Graham	2,011	1,469	36.9	1,708	17.7
Grant	4,074	3,489	16.8	3,472	17.3
Gray	1,679	1,579	6.3	1,903	– 11.8
Greeley	678	547	24.0	697	– 2.7
Greenwood	3,211	2,623	22.4	2,753	16.6
Hamilton	852	705	20.8	869	– 1.9
Harper	3,438	2,561	34.3	2,840	21.0
Harvey	9,616	8,666	11.0	8,719	10.3
Haskell	1,195	936	27.6	1,064	12.3
Hodgeman	443	322	37.7	398	11.3
Jackson	2,192	1,978	10.8	2,097	4.5
Jefferson	2,878	2,286	25.9	2,925	– 1.6
Jewell	997	807	23.6	901	10.6
Johnson	128,072	112,582	13.8	113,251	13.1
Kearny	682	644	5.8	650	4.8
Kingman	2,715	2,513	8.0	2,430	11.7
Kiowa	1,573	1,462	7.6	1,296	21.4
Labette	8,084	6,759	19.6	7,507	7.7
Lane	945	634	49.1	829	14.0
Leavenworth	11,963	10,505	13.9	11,355	5.4
Lincoln	1,275	928	37.4	1,218	4.6

* Monthly Average for Prior Three Months

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY (Continued)
(thousands of dollars)

County	Sales * Sept. 1980	Sales * June 1980	Change From June 1980 (%)	Sales * Sept. 1979	Change From Sept. 1979 (%)
Linn	1,634	1,546	5.6	1,850	– 11.7
Logan	2,035	1,426	42.7	1,799	13.1
Lyon	13,855	12,577	10.2	12,285	12.8
McPherson	10,339	8,777	17.8	9,714	6.4
Marion	3,781	3,304	14.4	3,552	6.4
Marshall	3,796	3,442	10.3	3,904	– 2.8
Meade	1,453	1,373	5.8	1,286	13.0
Miami	6,179	5,462	13.1	5,397	14.5
Mitchell	3,861	3,274	18.0	3,516	9.8
Montgomery	16,376	14,932	9.7	14,868	10.1
Morris	1,516	1,333	13.7	1,408	7.6
Morton	1,802	1,165	54.7	1,094	64.7
Nemaha	3,178	3,038	4.6	3,152	0.8
Neosho	9,254	7,488	23.6	6,922	33.7
Ness	2,414	1,798	34.2	1,591	51.7
Norton	2,535	1,853	36.8	2,245	12.9
Osage	3,219	2,855	12.8	3,155	2.0
Osborne	1,967	1,660	18.5	1,758	11.9
Ottawa	1,339	1,115	20.1	1,255	6.7
Pawnee	3,334	2,649	25.8	3,152	5.8
Phillips	2,532	2,210	14.5	2,540	– 0.3
Pottawatomie	4,984	4,142	20.3	4,010	24.3
Pratt	5,613	4,989	12.5	5,129	9.4
Rawlins	1,068	887	20.4	1,011	5.6
Reno	30,867	26,457	16.7	27,840	10.9
Republic	2,427	1,978	22.7	2,333	4.1
Rice	3,677	3,015	22.0	3,127	17.6
Riley	14,644	13,668	7.1	14,383	1.8
Rooks	5,118	3,787	35.1	3,389	51.0
Rush	1,520	1,182	28.6	1,292	17.6
Russell	6,690	4,930	35.7	4,928	35.8
Saline	28,481	24,460	16.4	26,968	5.6
Scott	3,922	2,381	64.7	2,710	44.7
Sedgwick	200,456	182,833	9.6	182,221	10.0
Seward	12,806	11,761	8.9	11,429	12.0
Shawnee	72,202	65,677	9.9	72,997	– 1.1
Sheridan	1,418	998	42.0	1,368	3.7
Sherman	4,666	3,418	36.5	4,203	11.0
Smith	2,136	1,524	40.2	1,994	7.1
Stafford	2,106	1,506	39.8	1,585	32.9
Stanton	962	656	46.8	619	55.6
Stevens	1,537	1,478	4.0	1,574	– 2.4
Sumner	7,382	5,451	35.4	6,248	18.1
Thomas	5,021	4,006	25.3	4,785	4.9
Trego	1,618	1,325	22.1	1,425	13.5
Wabaunsee	1,048	805	30.2	1,152	– 9.0
Wallace	709	553	28.2	665	6.6
Washington	1,936	1,806	7.2	2,046	– 5.4
Wichita	1,895	886	113.8	941	101.4
Wilson	2,729	2,455	11.1	2,667	2.3
Woodson	1,070	821	30.3	1,063	0.7
Wyandotte	61,764	52,985	16.6	60,587	1.9

Source: Tax Research Section
Kansas Department of Revenue

TABLE VI
PRICES RECEIVED BY KANSAS FARMERS

(dollars)

Items	Sept. 1980	Aug. 1980	% change	Sept. 1979	% change	Annual Avg. 1979
Prices Received by Farmers						
Field Crops						
Wheat (bu.)	3.93	3.78	4.0	3.84	2.3	3.49
Corn (bu.)	3.22	3.10	3.9	2.54	26.8	2.48
Sorghum (cwt.)	5.14	5.06	1.6	3.95	30.1	3.75
Hay (ton)	63.00	56.00	12.5	46.50	35.5	50.17
Soybeans (bu.)	7.86	7.24	8.6	6.66	18.0	6.72
Livestock & Products						
Beef Cattle (cwt.)	64.90	65.80	−1.4	70.90	−8.5	67.82
Calves (cwt.)	73.90	75.20	−1.7	90.10	−18.0	87.14
Hogs (cwt.)	45.60	45.60	0.0	37.40	21.9	41.83
Lambs (cwt.)	65.40	66.00	−0.9	63.20	3.5	66.18
Sheep (cwt.)	20.10	20.10	0.0	34.50	−41.7	21.15
Milk (cwt.)	13.20	12.40	6.5	12.20	8.2	12.24
Prices Paid by Farmers						
Soybean Meal (cwt.)	13.50	13.00	3.8	12.50	8.0	12.33
Bran (cwt.)	8.30	8.10	2.5	7.20	15.3	7.55
Beef Conc. (cwt.)	11.00	10.50	4.8	9.60	14.6	9.61
16% Dairy Feed (ton)	193.00	175.00	10.3	156.00	23.7	154.50
Hog Conc. (cwt.)	15.60	14.50	7.6	14.00	11.4	13.83
Laying Feed (ton)	220.00	200.00	10.0	185.00	18.9	180.75

Source: Kansas Crop and Livestock Reporting Service
Kansas State Board of Agriculture

U.S. Department of Agriculture

TABLE VII
COMMERCIAL BANKING ACTIVITY FOR ALL BANKS

(millions of dollars)

	Sept. 1980	Aug. 1980	% change	Sept. 1979	% change
Kansas—Statewide					
Loans	7,808	7,849	−0.5	8,073	−3.3
Demand Deposits	4,064	3,913	3.9	3,968	2.4
Time & Saving Deposits	9,180	9,210	−0.3	8,317	10.4
Loan-to-Deposit Ratio	59.0%	59.8%		65.7%	
Kansas City (Wyandotte)					
Loans	510	507	0.6	572	−10.8
Demand Deposits	252	228	10.5	231	9.1
Time & Saving Deposits	583	596	−2.2	564	3.4
Loan-to-Deposit Ratio	61.1%	61.5%		71.9%	
Topeka (Shawnee)					
Loans	483	485	−0.4	512	−5.7
Demand Deposits	271	269	0.7	303	−10.6
Time & Saving Deposits	484	528	−8.3	559	−13.4
Loan-to-Deposit Ratio	64.0%	60.9%		59.4%	
Wichita (Sedgwick)					
Loans	1,180	1,164	1.4	1,234	−4.4
Demand Deposits	849	798	6.4	755	12.5
Time & Saving Deposits	1,249	1,230	1.5	1,084	15.2
Loan-to-Deposit Ratio	56.2%	57.4%		67.1%	

Source: Research Department
Federal Reserve Bank of Kansas City

Institute for Economic and Business Research

TABLE VII-I
COMMERCIAL BANKING ACTIVITY FOR MEMBER BANKS

(millions of dollars)

	Sept. 1980	Aug. 1980	% change	Sept. 1979	% change
Kansas—Statewide					
Loans	3,517	3,503	0.4	3,603	−2.4
Demand Deposits	2,069	1,982	4.4	2,010	2.9
Time & Saving Deposits	3,967	3,980	−0.3	3,594	10.4
Loan-to-Deposit Ratio	58.3%	58.8%		64.3%	
Kansas City (Wyandotte)					
Loans	198	196	1.0	221	−10.4
Demand Deposits	117	106	10.4	107	9.3
Time & Saving Deposits	207	212	−2.4	200	3.5
Loan-to-Deposit Ratio	61.1%	61.6%		72.0%	
Topeka (Shawnee)					
Loans	265	266	−0.4	281	−5.7
Demand Deposits	177	175	1.1	197	−10.2
Time & Saving Deposits	259	283	−8.5	299	−13.4
Loan-to-Deposit Ratio	60.8%	58.1%		56.7%	
Wichita (Sedgwick)					
Loans	672	663	1.4	703	−4.4
Demand Deposits	524	493	6.3	466	12.4
Time & Saving Deposits	605	596	1.5	525	15.2
Loan-to-Deposit Ratio	59.5%	60.9%		70.9%	

Source: Research Department
Federal Reserve Bank of Kansas City
Institute For Economic and Business Research

TABLE VIII
SAVINGS AND LOAN ACTIVITY

(thousands of dollars)

	Sept. 1980	Aug. 1980	% change	Sept. 1979	% change
Net New Savings	1,100	14,600	−92.5	1,900	−42.1
Mortgage Loans Made	119,000	100,400	18.5	87,200	36.5

Source: Federal Home Loan Bank of Topeka

The University of Kansas
Kansas Business Review (USPS 395-310)
December 1980 Vol. 4 No. 4

Published ten months a year (September-June) by the Institute for Economic and Business Research, The University of Kansas, Lawrence, Kansas 66045. Second-Class postage paid at Lawrence, Kansas 66045.

CONGRESSIONAL INFO. SERVICE
SRI ACQUISITION COPY 2
ATTN: ED KIANKA
7101 WISCONSIN AVE.
WASHINGTON, D.C. 20014

U 7095-1 U

January 1981
Vol.4. No.5.

HIGH PROPERTY TAX
KANSAS PROPERTY TAX

KANSAS BUSINESS REVIEW

In this issue:

Consequences of Property Tax Equalization
Darwin W. Daicoff

The Kansas Economy

Economic Indicators

Institute for Economic and Business Research, The University of Kansas

BEST AVAILABLE COPY

KANSAS BUSINESS REVIEW

(USPS 395-310)

January 1981
Vol. 4, No. 5

In This Issue: **Page**

Consequences of Property Tax Equalization **1**
Darwin W. Daicoff

The Kansas Economy **4**

Economic Indicators **6**

Advisory Board of the Institute for Economic and Business Research—Professor Robert Cobb, Executive Vice Chancellor; Mr. James H. DeCoursey, Jr., Secretary, Kansas Department of Economic Development; Acting Dean Jack Gaumnitz, School of Business; Vice Chancellor Frances Horowitz; Mr. Carl C. Nordstrom, Executive Vice-President, Kansas Association for Commerce and Industry; Professor Anthony Redwood, Director, Institute for Economic and Business Research; Professor Thomas J. Weiss, Chairman, Department of Economics.

Editorial Staff—Professor Anthony Redwood, Director; Michael Valk, Editor; Janet E. Majure, Associate Editor; Robert H. Glass, John Cita, Robin Hunn, and Sally Kleiner, Research Assistants.

Kansas Business Review is published ten months a year (September-June) by the Institute for Economic and Business Research, 319 Raymond Nichols Hall, The University of Kansas, Lawrence, Kansas 66045. It is designed by the Division of Publications, Office of University Relations.

Manuscripts for publication in *Kansas Business Review* are solicited from readers and should be sent to the editors for consideration.

Opinions expressed in the articles are those of the author(s) and do not necessarily reflect those of The University of Kansas.

Consequences of Property Tax Equalization

PROPERTY TAX HIGHWAY
KANSAS PROPERTY TAX

Darwin W. Daicoff

Dr. Darwin W. Daicoff is Professor of Economics at the University of Kansas and former director of the Institute for Economic and Business Research.

Present property tax administration violates the spirit, if not the letter, of the Kansas constitutional and statutory property tax provisions.

The Issue

In Kansas, as in most states, the property tax is primarily a local tax and the largest source of local public tax revenue. This is the case in spite of the well-known absence of a sound economic justification for the tax and the obvious inadequacies of its administration.[1] Indeed, attacks on the property tax have a long history. One of the most serious of these is currently in the Federal courts. A group of Kansas railroads have challenged the *administration* of the Kansas property tax. It is alleged that administrative practices have the effect of imposing a higher property tax rate on railroad property than on other types of property. A provision of the Federal Railroad Revitalization, Regulatory and Reform Act provides the legal basis for the challenge. Those who have studied the case agree that the railroads have an excellent chance of winning their case. The unequal taxes on railroads are not the result of unequally high tax rates being levied on the assessed value of railroad property. The inequality is the result of railroad property being assessed at a higher ratio, relative to its fair market value, than is the case for other property. Should the railroads prevail, their taxes would be reduced and, given that local government expenditures could not be reduced proportionally, taxes levied on other classes of property necessarily would be increased.

An example may clarify the railroad position. Consider two parcels of real property located in the same taxing jurisdiction, both having a fair market value of $100,000. If one parcel were assessed for tax purposes at the required Kansas statutory assessment ratio of 30 percent, it would have an assessed value of $30,000; if the other parcel had an assessment ratio of 8.0 percent, which was the 1979 average Kansas assessment ratio for locally assessed real estate, its assessed value would be $8,000. Applying the average rate of property tax in Kansas, which was $8.86 per hundred dollars of assessed valuation, would mean that the first parcel would pay a tax of $2,658 and that the second parcel would pay only $709. In terms of the fair market value of the property, the first parcel would be paying a rate of 2.7 percent and the second parcel a rate of .71 percent. This is unequal taxation and is the basis of the railroad case.

Kansas Law

Even though the current legal challenge to the operation of the Kansas property tax is based on a Federal statute, present property tax administration violates the spirit, if not the letter, of the Kansas constitutional and statutory property tax provisions. As do other states, Kansas has an uniformity provision in its Constitution: "... the legislature shall provide for a uniform and equal rate of assessment and taxation."[2] Available information clearly and unquestionably shows that the legislature has failed to conform to this requirement. The property tax is not levied on fair market value, which is clearly defined in the Kansas statutes and is a value to be determined by the assessor from annual actual view and inspection of the property, but on assessed value, which is statutorily defined as 30 percent of its uniformly and equally appraised fair market value. And yet, legal challenges to the operation of the Kansas property tax under state law have not been successful.

The Current Situation

Statutes require a considerable role for the state in the assessment of property. First, railroads, telegraph companies, pipeline companies, electric power companies, telephone companies, water plants, and radio common carriers are state assessed. Their statewide value is determined by the Division of Property Valuation, Kansas Department of Revenue, and is allocated to the state's taxing jurisdictions. Second, the Division prescribes guides for determining the fair market value of tangible personal property. Those who have examined the results of the state's role have concluded that, for state assessed and tangible personal property, the Division of Property Valuation conforms to Kansas law and assessed these properties at 30 percent of fair market value; while exactly 30 percent may not be achieved, the Division is acceptably close to that rate. Statutory attempts to deviate from this requirement have been struck down by the Kansas Supreme Court.

It is relative under-assessment of real estate at the local level which has created the nonuniform taxation. Annually, Kansas publishes a "Real Estate Assessment/Sales Ratio Study." Data from the "Study" provide

MAR 18 1981

information on the relative under-assessment of locally assessed real estate. The following tabulation, from the "1979 Study," quantifies the magnitude of this deviation.

Property Class	Assessment Ratio (percent)
Urban Real Estate	
Residential	9.6
Multifamily	13.6
Commercial and Industrial	12.7
Vacant Lots	3.8
Total	10.1
Rural Real Estate	
Agricultural	6.7
Home Sites	7.3
Planned Subdivisions	9.8
Commercial and Industrial	10.7
Total	6.9
State Assessed	30.0
Tangible Personal Property	30.0
Total	13.6

For all taxable property, the assessment ratio is 13.6 percent. Rural real estate has the lowest assessment ratio among the four major property classes; the ratio for urban real estate is somewhat larger, 10.1 percent vs. 6.9 percent. Within the major property classes, there are very large differences. Consider the differences between the ratio for vacant lots, 3.8 percent, and multifamily residences, 13.6 percent. This discrepancy means that, in terms of fair market value, multifamily residences pay a tax rate 3.5 times larger than the rate applied to vacant lots. State assessed and tangible personal property pay a rate three times larger than single-family residences and 4.5 times larger than agricultural land.

Because local revenue needs differ between urban and rural areas of the state, property tax rates differ by location. For the 1979 levies, the following tabulation provides information on tax payments related to assessed valuation and fair market value for six property classes.

Real and tangible personal property in 1979 paid a tax rate of 8.86 percent of assessed valuation and 1.21 percent of market value. Rural property taxes were considerably lower than urban property taxes. Urban tangible personal property and urban state assessed paid the highest tax rate, about 3.3 percent of fair market value, and rural real estate paid the lowest rate, 0.53 percent.

Major Property Class	Tax Per $100 of Value	
	Assessed	Market
Urban Real Estate	$11.13	$1.12
Rural Real Estate	7.54	.53
Urban Tangible Personal Property	10.91	3.28
Rural Tangible Personal Property	6.53	1.96
Urban State Assessed	11.09	3.32
Rural State Assessed	6.42	1.93
Total Urban	11.06	1.54
Total Rural	6.89	.92
Total	8.86	1.21

Tax Consequences of Equalization

It should be recognized that while equalization of assessment levels between property classes would solve a major problem of the property tax, not all administrative problems would be eliminated. The entire equalization discussion is framed in terms of the variances in assessment ratios between classes of property. But, eliminating the interclass variance would do nothing toward eliminating any variance which may exist *within* the property classes. A clue about the magnitude of the variance between individual assessments is provided in the "Ratio Study." Of the 105 Kansas counties, a great majority (72 for urban real estate and 75 for rural real estate) had a 1979 coefficient of deviation for individual parcels (which is a measure of the variation of individual assessment/sales ratios) of taxable property of 41 and over. Within each detailed property class, high coefficients of deviation in each county, shown in the "Ratio Study," suggest a lack of uniformity among individual assessment and, consequently, very unequal taxation within property classes.

However, equalizing assessments between property classes would eliminate the over/under taxation for these classes of property. In the subsequent analysis, this equalization is carried out for classes of urban real estate, seven classes of rural real estate, urban tangible personal property, rural tangible personal property, urban state assessed property, and rural state assessed property.

In 1979, the general property tax levied on Kansas property totaled $889.6 million. After equalization, the amount of tax to be levied against each class of property can be calculated by (1) distributing the state and the county property tax levy, $205 million, according to the proportion of the state's total fair market value represented by each detailed property class and (2) distributing the remainder of the total collections (levied by cities, townships, school districts, and special districts)[3] first, by the proportion of the remainder levied on each of the six major property classes and, second, within each major property class, by the proportion of the major property class represented by the detailed property class. The resulting distribution of tax payment can be related to fair market value to calculate the tax rate which would apply to each property class. For urban property, the rate would be 1.46 percent; the rural tax rate would be 0.99 percent.

The percentage change in tax levies for the six major property classes as a result of equalization is shown below.

Property Class	Tax Change (percent)
Urban Real Estate	29.94
Rural Real Estate	87.68
Urban Tangible Personal Property	− 55.49
Rural Tangible Personal Property	− 49.71
Urban State Assessed	− 64.30
Rural State Assessed	− 48.81
Total Urban	− 4.99
Total Rural	7.14
Total	--

Because the methodology employed in this analysis assumes that total property tax collections are unaffected by equalization, the taxes paid for the total of all property does not change. Due to the fact that the state and county levies apply proportionally to all taxable property values in each county and that rural property is currently underassessed, the taxes rise a little on rural and falls a bit on urban property. State assessed and tangible personal property taxes fall substantially, between 50 and 64 percent. Rural real estate taxes rise by a very large amount, 88 percent, and urban real estate taxes rise more moderately by 30 percent.

While the computed tax changes due to equalization in the six major property classes is of interest, more detailed information would be more valuable. Calculated tax changes for detailed subclasses of real estate are as follows.

Property Class	**Tax Change** (percent)
Urban Real Estate	
Residential	37.49
Multifamily	− 3.33
Commercial	4.59
Industrial	− 8.10
Vacant Lots	241.52
Rural Real Estate	
Agricultural	96.12
Home Sites	79.83
Planned Subdivisions	33.70
Commercial and Industrial	21.75

These tax changes are more striking than the changes for the major property classes. While the average urban real estate tax would rise by 30 percent, the tax on industrial real estate and multifamily residences would decline. The property tax levied on single-family residences would increase by 37 percent and on vacant lots by a whopping 242 percent. For rural real estate, where the tax rise would average 88 percent, the range of increase would be from 22 percent for commercial and industrial real estate to 96 percent for agricultural real estate. The winners in the equalization game would be owners of tangible personal property, state assessed property, urban industrial real estate, and multifamily residences. All the remaining property owners would be losers. The largest losers would be owners of vacant city lots, agricultural land and improvements, rural home sites, and urban single-family residences.

Solutions

There is an adage in tax analysis which states: "Old taxes are good taxes." This means that good taxes are those taxes which have existed long enough for the economy to adjust to them. New taxes or major modifications to existing taxes would require producers and consumers to adjust. This adjustment is difficult and, hence, something to avoid. The magnitude of tax changes which would result from assessment equalization would be substantial and cause major adjustments; in this sense, equalization should not be undertaken unless it cannot be avoided.

One solution to the current court case would be to accept the fact that railroads are being overtaxed and reduce the tax *only* on this property. This resolution would mean that other state assessed and personal property would continue to be overtaxed. However, a sound justification of such a procedure cannot be offered. An alternative to this minimum solution would be to recognize the facts of unequal taxation and the requirement for uniformity by moving slowly to equalize assessments. By equalizing over a period of five or ten years, the difficulties of adjustment would be eased.

The magnitude of tax changes which would result from assessment equalization would be substantial and cause major adjustments.

Another way by which the consequences of equalization could be accomplished, without setting off serious dislocations in the economy, would be to reduce the total amount of revenue raised by the property tax. Increases in state aid to local units of government (such as increases in state aid to local school districts, financed by sales and/or income taxes) or increased use of local nonproperty tax revenues (such as local sales and earnings taxes) would reduce total property tax levies. Coupled with gradual reassessment, this solution could minimize the property tax increase which would apply to most property classes and may well produce an improvement in the overall quality of the state's tax structure.

Another solution, which has received considerable political support, is to amend the Constitution by removing the uniformity clause and, thereby, permitting property tax classifications, which would result in different assessment ratios on different kinds of property. Under this solution, existing assessment practices would be made lawful. However, there is nothing in this solution which would guaranteed that, as inflation affects different property classes differently, the problem will not reappear.

Few tax specialists would argue for classification—except for current practice, there is little justification for any particular classification scheme. One alternative approach would be to try to relate property tax payments to public benefits received by each class of property; another would be to attempt to minimize geographic adjustments by levying low taxes if high taxes would drive the economic activity away from the state and by levying high taxes on particular classes of property if such taxes would not cause a change in the geographic location of the taxed economic activity. However, both approaches would be very difficult to implement.

In conclusion, unequal taxation is the fact in Kansas today. Equalization may be required as a result of a current legal challenge; indeed, it *is* required under the spirit of existing Kansas law. The magnitude of the property tax changes which would follow from equalizing property tax assessment ratios is very sizable. Short of amending the State Constitution and simply eliminating the need for equalization, the solution which entails the least difficulty appears to be phased-in equalization of assessments coupled with increased state aid and increased use of local nonproperty taxes.

Unequal taxation is the fact in Kansas today.

Footnotes

1. See Dick Netzer, *Economics of the Property Tax* (Washington, D.C.: The Brookings Institution, 1966); Richard A. Musgrave and Peggy B. Musgrave, *Public Finance in Theory and Practice* (3rd ed.; New York: McGraw-Hill Book Company, 1980) Ch. 21; or John F. Due and Ann F. Freidland, *Government Finance* (6th ed.; Richard D. Irvin, Inc., 1977) Ch. 16.

2. Article II, Section 1 of the *Kansas Constitution*.

3. For a few counties, school district boundaries and county boundaries coincide. But, because this is not universal, school district levies are distributed by the described procedure.

The Kansas Economy

General Business

The last quarter of 1980 witnessed continued fluctuation in the economy, leaving businesses uncertain as to what direction to take in their planning. Many businesses put off some investing as they watched the prime interest rate climb to 21.5 percent before beginning to recede. Third quarter investment was off 13.4 percent from the second quarter and 10.6 percent from 1979 third quarter. Some banks across the country reported offering lower-than-prime interest rates to their small business customers because the banks' lending had dropped so drastically.

The November presidential election brought an initial optimistic attitude to the stock market, but the boom tapered off as investors indulged in some profit-taking after stock prices had climbed.

The national economy nonetheless was expanding through November, and real GNP was estimated to have grown at a 2.0 percent to 3.0 percent annual rate as compared with the third quarter's 0.9 percent growth. A slowdown is considered inevitable, however, because industrial output expanded from July to November, but markets weren't growing fast enough to absorb it.

Some analysts contend that the trough of the recession was in July, before this burst in industrial output. If this were the case, the 1980 recession would have been the shortest since World War II. Although the recession was as deep and as widespread as past recessions if July had been the trough, subsequent figures indicate the recession probably was a "double dip." That is, the economy showed an upturn after July not because the recession was over but because the economy was returning to where it would have been had not the Fed previously taken such stringent money-supply tightening measures. Consequently, data to come regarding the fourth quarter probably will show once again a slowdown in the rate of economic growth, at least in part because of the economy's inability to accommodate the July-November flurry of production.

Consumer spending, meanwhile, in the fourth quarter was 1.0 percent below its 1980 peak. The prices consumers have been paying have continued to rise, as inflation continued unabated at an estimated 13.5 percent rate. While U.S. housing starts in October were up slightly to a 1.55 million units annual rate, permits for new construction plunged as mortgage interest rates continued to be high. Auto sales, which were off a record-setting 44.6 percent from January to July, increased with the introduction of 1981 models. Their sales were receding, however, in December.

The latest figures for Kansas reveal a mixed picture that may indicate some sort of renewed slowdown, with manufacturing declining in October from its September levels. The average work week in October declined 1.0 percent, from 41.3 hours per week in September to 40.9 hours per week. The work week bounced back in November, however, and was up to 41.0 hours per week, a 0.2 percent increase over October and an increase of 0.3 hours per week over the 1979 average. Initial claims for unemployment moved in line with the work week. As the work week declined in October, initial claims rose. And the number of claims likewise declined as the work week grew in November. These figures also were an improvement over the previous six months and over 1979. Wages for Kansas workers, meanwhile, have progressively increased, rising in October even as the work week declined. November wages continued the trend, up 1.4 percent over October. These increases, however, have paralleled inflation.

Employment

The percent change in employment in Kansas from October 1979 to October 1980 and from November 1979 to November 1980 reflects a continuing slight downward trend. Manufacturing employment in durable goods has dropped significantly since 1979, while nondurable goods industries were less affected but still showed a decline. The construction industry was the other sector to show a significant decline in employment for this time period, reflecting this sector's inability to remain insulated from national business cycles. While construction employment in November was lower than in October, the extent of the deficit as compared with 1979 was less. The only sector to show a significant increase in employment over 1979 levels was mining, particularly gas and oil extraction. Other industrial sectors remained relatively stable, with some slight increases recorded.

The industrial structure in Kansas, with large concentrations of employment in nonmanufacturing industries, such as trade, services, and government, is responsible for the small overall downward movement in employment levels as compared with national employment.

While October 1980 employment for most industries remained down from 1979, increases over September 1980 were recorded in most classifications, and these increases carried over into November. The transportation equipment industries, including aircraft, showed a fairly strong rise in October and continued upward in November. The recent increase in employment in durable goods industries could be a signal that Kansas is pulling out of the recession that has plagued the nation for much of 1980. Durable goods manufacturing usually is among the first industries to decline at a recession's start and to improve after a recession. On the other hand, as noted earlier, some observers view October's apparent comeback merely as a lull in a worsening economic storm, and news from national data lends credence to this attitude. Apparel manufacturing in Kansas, meanwhile, receded 10.3 percent from October to November.

Regional Employment

Reno County in October and November continued to suffer the worst unemployment in the state, with its 6.2 percent and 6.1 percent unemployment rates as compared with runner-up Topeka's 5.2 percent and 5.0 percent unemployment for October and November, respectively.

Although the number of unemployed workers in Reno County declined from September to October and on into November, so did the number of employed workers. The unemployment rate for the state, meanwhile, declined from September to October and remained steady at 3.9 percent in November. It must be noted that statewide the number employed, as well as unemployed, has continued to decline, possibly indicating that people have become discouraged and have left the work force or are leaving the state to seek employment elsewhere.

Showing improvements in the unemployment rate from October to November were the Topeka SMSA, Barton County, Montgomery County, and Reno County. Several other areas reversed their downward trend of September to October and showed a rising unemployment rate into November. Recording increased unemployment rates in November were Lawrence SMSA, Crawford County, Lyon County, Riley County, and Saline County.

Despite the decline from September to October and November, the size of the labor force remained up slightly from 1979 levels.

Financial Activity

Banking activity statewide has been improving, with increases recorded in loans, demand deposits, and time and savings deposits. These increases are a positive sign for prospects of an improved state economy. Banks have suffered losses of loan activity because of high interest rates and tighter money, but the most recent figures show a rebound, including time and savings deposits, which were up 9.5 percent over 1979.

The loan-to-deposit ratios still reflect the tight money-supply situation, with 1980 levels statewide showing a reduction of about 5.0 percent from last year. November's ratio, however, did show a small (0.2 percent) increase over the October level. The Topeka banks were exceptional with their ratio up over last year to 63.0 percent.

The ratio for Federal Reserve member banks is somewhat higher than the average for all state banks. Kansas City banks showed the highest ratio of member banks at 62.1 percent.

The savings and loan associations showed a promising increase in new savings in November of 39.1 percent greater than in October and 453.7 percent greater than in November 1979. While the amount of mortgage loans made in November failed to maintain September's and October's pace, the loans made were still 5.5 percent above the levels of a year ago.

Farm Prices

Farm prices in Kansas headed upward in October and November, and the rises should continue as world grain consumption is expected to exceed production for the 1980-81 marketing year. U.S. feed grain stocks are expected to shrink 50 percent as a result of the strong export market.

Kansas farmers with crops to sell after last summer's drought drew higher prices. Hay again showed a staggering price boost in October, after being hit hard in last summer's drought. Hay in October was selling for $70.50 a ton, an 11.9 percent increase just since September and a 50.0 percent increase over October 1979. Hay prices in November rose an additional 1.4 percent over October, to $71.50 a ton. A decline in hay production also caused many farmers to retain what they had harvested for use on their own farms, further reducing the supply to market and further bolstering prices.

Farmers also were receiving sizably higher prices for their other field crops as compared with 1979. Sorghum, at $5.54 a hundredweight, was commanding a 42.4 percent higher price than in November 1979 and was up 5.1 percent over October. Similarly, soybeans were up 41.8 percent in November over a year ago to $8.31 a bushel, and corn was up 38.1 percent to $3.41 a bushel. For the month of November, sorghum was the biggest gainer, and in October the 5.3 percent rise in wheat prices led. Otherwise, monthly price increases were modest in November and in October.

Livestock farmers' results were mixed. While October hogs were up 1.5 percent since September and 34.6 percent over 1979, they fell back 3.2 percent in November to stay 30.6 percent ahead of 1979 prices. Prices for sheep, meanwhile, in October plummeted 26.9 percent from September and, despite an 11.6 percent rebound in November, were 51.8 percent below November 1979 prices. Prices for all other livestock were down from October and from last year. Such declines are particularly perilous for the livestock farmer, as feed prices continue to rise. Soybean meal in October was up 7.4 percent over September and 16 percent over October 1979. It was up another 6.9 percent in November to bring it 29.2 percent higher than November 1979 meal. Prices for laying feed, hog concentrate, and dairy feed also were up more than 20 percent above 1979 levels. Only bran, which rose 3.6 percent from October to November and 6.2 percent from 1979 to 1980, showed but a modest increase.

Consumer Prices

The Kansas City consumer price index for the two-month period ending with October 1980 shows an increase of 1.6 percent in prices for all items. All major items increased in price during this period within a range of 3.6 percent for apparel and upkeep to 0.3 percent for entertainment. The apparel and upkeep increase represents the second consecutive rise in this category and appears to confirm the trend suggested four months ago that, after a long period of relative stability, these prices are no longer immune to the overall inflationary pressures in the economy. The 1.7 percent increase in housing prices signals, perhaps, the return to accelerated costs in this category after a two-month break.

Over the year, prices in Kansas City for all items rose 10.8 percent. Excepting the 5.2 percent increase for apparel and upkeep, all increases were double digit, with transportation prices the highest at 13.8 percent and housing the lowest at 10.2 percent.

TABLE I
GENERAL BUSINESS INDICATORS

	Oct. 1980	Sept. 1980	% change	Avg. Prior 6 mos.	Annual Avg. 1979
Manufacturing					
Average Work Week (hrs.)	40.90	41.30	– 1.0	40.00	40.70
Average Weekly Earnings (dollars)	310.84	308.92	0.6	293.23	240.99
Initial Claims for					
Unemployment Insurance	10,376.00	9,428.00	10.1	15,150.00	8,082.00
New Incorporations					
In-State For Profit	432.00	349.00	23.8	423.00	336.00
Out-of-State For Profit	130.00	110.00	18.2	92.00	88.00

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

Kansas Secretary of State

TABLE II
NON-FARM WAGE AND SALARY EMPLOYMENT BY PLACE OF WORK

(thousands)

Industry	Oct. 1980	Sept. 1980	% change	Oct. 1979	% change
All Industries	953.2	949.6	0.4	959.4	– 0.6
Manufacturing	182.3	181.5	0.4	197.3	– 7.6
Durable Goods	118.6	117.8	0.7	131.0	– 9.5
Stone, Clay, Glass	8.6	8.6	0.0	9.5	– 9.5
Primary Metals	3.7	3.8	– 2.6	4.3	– 14.0
Fabricated Metal Products	11.3	11.2	0.9	14.1	– 19.9
Machinery (incl. elec.)	33.2	33.5	– 0.9	38.2	– 13.1
Transportation Equipment	49.9	49.0	1.8	52.4	– 4.8
Aircraft & Parts	43.0	42.3	1.7	45.0	– 4.4
Other Durable Goods	11.9	11.7	1.7	12.5	– 4.8
Nondurable Goods	63.7	63.7	0.0	66.3	– 3.9
Food & Kindred Products	22.6	22.3	1.3	23.3	– 3.0
Meat Products	8.3	8.3	0.0	9.2	– 9.8
Apparel	3.6	3.7	– 2.7	3.7	– 2.7
Printing & Publishing	15.7	15.9	– 1.3	15.8	– 0.6
Chemicals	8.6	8.7	– 1.1	8.6	0.0
Petroleum & Coal	4.4	4.4	0.0	4.5	– 2.2
Other Nondurable	8.8	8.7	1.1	10.4	– 15.4
Mining	15.2	15.1	0.7	14.2	7.0
Oil & Gas Extraction	12.9	12.9	0.0	11.8	9.3
Contract Construction	49.4	50.5	– 2.2	55.7	– 11.3
Trans., Comm., Elec., Gas	65.2	65.2	0.0	66.6	– 2.1
Wholesale Trade	65.7	65.4	0.5	64.1	2.5
Retail Trade	164.3	163.3	0.6	164.1	0.1
Finance, Insurance, Real Estate	46.5	46.5	0.0	46.2	0.6
Services	175.5	175.8	– 0.2	168.3	4.3
Federal Government	27.0	27.5	– 1.8	26.4	2.3
State & Local Government	162.1	158.8	2.1	156.5	3.6

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS

Area	Oct. 1980	Sept. 1980	% change	Oct. 1979	% change
Kansas—Statewide					
Civilian Labor Force	1,224,100	1,224,500	− 0.0	1,218,900	0.4
Employed	1,176,000	1,175,400	0.1	1,186,500	− 0.9
Farm	66,700	71,000	− 6.1	68,300	− 2.3
Non-Farm	1,109,300	1,104,400	0.4	1,118,200	− 0.8
Unemployed	48,100	49,100	− 2.0	32,400	48.5
Rate	3.9%	4.0%		2.7%	
Lawrence SMSA					
Civilian Labor Force	36,400	36,500	− 0.3	34,800	4.6
Employed	35,000	35,000	0.0	33,800	3.6
Farm	900	900	0.0	900	0.0
Non-Farm	34,100	34,100	0.0	32,900	3.6
Unemployed	1,400	1,500	− 6.7	1,000	40.0
Rate	3.8%	4.1%		2.9%	
Kansas Portion of Kansas City SMSA					
Civilian Labor Force	272,700	272,800	− 0.0	266,700	2.2
Employed	260,700	260,300	0.2	257,300	1.3
Farm	1,500	1,600	− 6.3	1,500	0.0
Non-Farm	259,200	258,700	0.2	255,800	1.3
Unemployed	12,100	12,500	− 3.3	9,400	28.72
Rate	4.4%	4.6%		3.5%	
Topeka SMSA					
Civilian Labor Force	96,300	96,000	0.3	95,100	1.3
Employed	91,300	91,000	0.3	91,700	− 0.4
Farm	2,000	2,100	− 4.8	2,000	0.0
Non-Farm	89,300	88,900	0.4	89,700	− 0.4
Unemployed	5,000	5,000	0.0	3,400	47.1
Rate	5.2%	5.2%		3.6%	
Wichita SMSA					
Civilian Labor Force	227,300	227,000	0.1	226,400	0.4
Employed	219,100	218,500	0.3	220,700	− 0.7
Farm	2,700	2,900	− 6.9	2,700	0.0
Non-Farm	216,400	215,600	0.4	218,000	− 0.7
Unemployed	8,200	8,500	− 3.5	5,700	43.9
Rate	3.6%	3.7%		2.5%	
Barton Co.—Great Bend Area					
Civilian Labor Force	18,025	17,850	1.0	17,950	0.4
Employed	17,625	17,400	1.3	17,550	0.4
Farm	975	1,050	− 7.1	1,000	− 2.5
Non-Farm	16,650	16,350	1.8	16,550	0.6
Unemployed	400	450	− 11.1	400	0.0
Rate	2.2%	2.5%		2.2%	

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS (Continued)

Area	Oct. 1980	Sept. 1980	% change	Oct. 1979	% change
Crawford Co.—Pittsburg Area					
Civilian Labor Force	16,950	16,900	0.3	16,900	0.3
Employed	16,150	16,075	0.5	16,375	– 1.4
Farm	875	950	– 7.9	900	– 2.8
Non-Farm	15,275	15,125	1.0	15,475	– 1.3
Unemployed	800	825	– 3.0	525	52.4
Rate	4.7%	4.9%		3.1%	
Lyon Co.—Emporia Area					
Civilian Labor Force	17,925	17,750	1.0	18,025	– 0.6
Employed	17,250	17,100	0.9	17,625	– 2.1
Farm	875	925	– 5.4	900	– 2.8
Non-Farm	16,375	16,175	1.2	16,875	– 3.0
Unemployed	675	650	3.8	375	80.0
Rate	3.8%	3.7%		2.1%	
Montgomery Co.—Coffeyville Area					
Civilian Labor Force	20,900	21,150	– 1.2	21,600	– 3.2
Employed	19,950	20,200	– 1.2	21,100	– 5.5
Farm	625	675	– 7.4	650	– 3.8
Non-Farm	19,325	19,525	– 1.0	20,450	– 5.5
Unemployed	950	950	0.0	500	90.0
Rate	4.5%	4.5%		2.3%	
Reno Co.—Hutchinson Area					
Civilian Labor Force	30,700	33,225	– 7.6	32,275	– 4.9
Employed	28,800	31,225	– 7.8	31,600	– 8.9
Farm	1,400	1,500	– 6.7	1,650	– 15.2
Non-Farm	27,400	29,725	– 7.8	30,175	– 9.2
Unemployed	1,900	2,000	– 5.0	675	181.5
Rate	6.2%	6.0%		2.1%	
Riley Co.—Manhattan Area					
Civilian Labor Force	22,175	22,050	0.6	22,300	– 0.6
Employed	21,400	21,250	0.7	21,725	– 1.5
Farm	1,100	1,175	– 6.4	1,150	– 4.3
Non-Farm	20,300	20,075	1.1	20,575	– 1.3
Unemployed	775	800	– 3.1	575	34.8
Rate	3.5%	3.6%		2.6%	
Saline Co.—Salina Area					
Civilian Labor Force	26,300	26,325	– 0.1	26,250	0.2
Employed	25,100	25,075	0.1	25,600	– 2.0
Farm	750	775	– 3.2	750	0.0
Non-Farm	24,350	24,300	0.2	24,850	– 2.0
Unemployed	1,200	1,250	– 4.0	650	84.6
Rate	4.6%	4.7%		2.5%	

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE IV
RETAIL SALES SUBJECT TO SALES TAX BY BUSINESS CLASSIFICATION

(not available)

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY

(not available)

TABLE VI
PRICES RECEIVED BY KANSAS FARMERS

(dollars)

Items	Oct. 1980	Sept. 1980	% change	Oct. 1979	% change	Annual Avg. 1979
Prices Received by Farmers						
Field Crops						
Wheat (bu.)	4.14	3.93	5.3	3.91	5.9	3.49
Corn (bu.)	3.27	3.22	1.6	2.52	29.8	2.48
Sorghum (cwt.)	5.27	5.14	2.5	3.84	37.2	3.75
Hay (ton)	70.50	63.00	11.9	47.00	50.0	50.17
Soybeans (bu.)	8.00	7.86	1.8	5.97	34.0	6.72
Livestock & Products						
Beef Cattle (cwt.)	63.00	64.90	− 2.9	65.60	− 4.0	67.82
Calves (cwt.)	75.80	73.90	2.6	83.60	− 9.3	87.14
Hogs (cwt.)	46.30	45.60	1.5	34.40	34.6	41.83
Lambs (cwt.)	66.10	65.40	1.1	64.60	2.3	66.18
Sheep (cwt.)	14.70	20.10	− 26.9	21.30	− 31.0	21.15
Milk (cwt.)	13.70	13.20	3.8	12.80	7.0	12.24
Prices Paid by Farmers						
Soybean Meal (cwt.)	14.50	13.50	7.4	12.50	16.0	12.33
Bran (cwt.)	8.30	8.30	0.0	7.70	7.8	7.55
Beef Conc. (cwt.)	11.00	11.00	0.0	9.90	11.1	9.61
16% Dairy Feed (ton)	191.00	193.00	− 1.0	162.00	17.9	154.50
Hog Conc. (cwt.)	16.20	15.60	3.8	14.00	15.7	13.83
Laying Feed (ton)	225.00	220.00	2.3	187.00	20.3	180.75

Source: Kansas Crop and Livestock Reporting Service
Kansas State Board of Agriculture

U.S. Department of Agriculture

TABLE VII
COMMERCIAL BANKING ACTIVITY FOR ALL BANKS

(millions of dollars)

	Oct. 1980	Sept. 1980	% change	Oct. 1979	% change
Kansas—Statewide					
Loans	8,046	7,882	2.1	8,176	− 1.6
Demand Deposits	4,678	4,084	14.5	4,559	2.6
Time & Saving Deposits	9,324	9,180	1.6	8,513	9.5
Loan-to-Deposit Ratio	57.5%	59.4%		62.5%	
Kansas City (Wyandotte)					
Loans	507	510	− 0.6	568	− 10.7
Demand Deposits	297	252	17.9	270	10.0
Time & Saving Deposits	580	583	− 0.5	588	− 1.4
Loan-to-Deposit Ratio	57.8%	61.1%		66.2%	
Topeka (Shawnee)					
Loans	488	483	1.0	514	− 5.1
Demand Deposits	312	271	15.1	344	− 9.3
Time & Saving Deposits	480	484	− 0.8	577	− 16.8
Loan-to-Deposit Ratio	61.6%	64.0%		55.8%	
Wichita (Sedgwick)					
Loans	1,210	1,182	2.3	1,235	− 2.0
Demand Deposits	972	849	14.5	900	8.0
Time & Saving Deposits	1,242	1,249	− 0.5	1,098	13.1
Loan-to-Deposit Ratio	11.0%	56.3%		61.8%	

Source: Research Department
Federal Reserve Bank of Kansas City

Institute for Economic and Business Research

TABLE VII-I
COMMERCIAL BANKING ACTIVITY FOR MEMBER BANKS

(millions of dollars)

	Oct. 1980	Sept. 1980	% change	Oct. 1979	% change
Kansas—Statewide					
Loans	3,531	3,518	0.4	3,595	−1.8
Demand Deposits	2,091	2,069	1.1	2,038	2.6
Time & Saving Deposits	3,943	3,967	−0.6	3,600	9.5
Loan-to-Deposit Ratio	58.5%	58.3%		63.8%	
Kansas City (Wyandotte)					
Loans	198	198	0.0	222	−10.8
Demand Deposits	117	117	0.0	109	7.3
Time & Saving Deposits	204	207	−1.4	206	−1.0
Loan-to-Deposit Ratio	61.7%	61.1%		70.5%	
Topeka (Shawnee)					
Loans	258	265	−2.6	271	−4.8
Demand Deposits	179	177	1.1	197	−9.1
Time & Saving Deposits	246	259	−5.0	288	−14.6
Loan-to-Deposit Ratio	60.7%	60.8%		55.9%	
Wichita (Sedgwick)					
Loans	685	673	1.8	699	−2.0
Demand Deposits	531	524	1.3	491	8.1
Time & Saving Deposits	602	605	−0.5	532	13.2
Loan-to-Deposit Ratio	60.5%	59.6%		68.3%	

Source: Research Department
Federal Reserve Bank of Kansas City
Institute For Economic and Business Research

TABLE VIII
SAVINGS AND LOAN ACTIVITY

(thousands of dollars)

	Oct. 1980	Sept. 1980	% change	Oct. 1979	% change
Net New Savings	21,500	1,100	1,854.6	20,200	6.4
Mortgage Loans Made	118,900	119,000	−0.1	106,100	12.1

Source: Federal Home Loan Bank of Topeka

TABLE IX
CONSUMER PRICES

Kansas City

Consumer Price Index, October, 1980

	All Urban Consumers (CPI-U)			Wage Earners and Clerical Workers (CPI-W)		
		Percent change from			Percent change from	
	INDEX 1967 = 100	2 months ago	1 year ago	INDEX 1967 = 100	2 months ago	1 year ago
ALL ITEMS	254.8	1.6	10.8	253.0	1.5	11.0
Food and Beverages	259.9	1.6	10.3	256.9	2.1	11.5
Food	266.6	1.7	10.6	263.6	2.3	11.8
Food at home	262.6	2.0	12.4	260.0	2.1	13.3
Cereals & bakery products	273.0	3.7	17.7	264.8	3.0	13.9
Meats, poultry, fish & eggs	244.4	2.4	10.2	246.8	2.7	11.3
Dairy products	238.2	1.6	8.6	238.8	1.7	9.2
Fruits and vegetables	267.5	-0.7	13.6	255.0	-0.3	16.3
Other foods at home	307.1	2.6	13.6	305.0	2.3	15.9
Food away from home	281.1	0.9	7.0	276.9	2.7	8.5
Alcoholic beverages	195.0	-0.4	5.1	193.6	0.3	7.7
Housing	271.5	1.7	10.2	268.0	1.4	9.9
Shelter	300.2	3.4	9.7	296.5	3.3	9.2
Rent (residential)	164.7	0.7	7.6	164.7	0.7	7.6
Other rental costs	236.9	NA	7.7	240.9	NA	8.2
Homeownership	349.2	3.8	10.1	344.2	3.7	9.5
Fuel & other utilities	254.8	-6.0	12.4	256.9	-6.0	12.7
Fuels	334.7	-8.3	16.0	336.8	-8.2	16.1
Fuel oil, coal, & bottled gas*	167.5	0.3	18.1	177.5	0.3	20.6
Gas (piped) & electricity	332.8	-8.8	15.8	332.7	-8.8	15.8
Household furnishings & oper.	205.9	1.1	10.6	201.6	1.1	10.0
Apparel & Upkeep	192.4	3.6	5.2	183.8	3.7	5.5
Men's & boys' apparel	203.6	6.2	3.8	203.6	5.3	4.6
Women's & girls' apparel	178.0	0.2	5.9	150.8	3.4	0.5
Footwear	194.2	1.6	-2.5	209.4	2.3	7.4
Transportation	248.9	0.7	13.8	250.2	0.8	13.7
Private transportation	250.5	0.6	13.3	252.2	0.7	13.5
Public transportation	214.0	3.4	25.4	207.0	3.0	22.2
Medical Care	269.1	2.2	11.9	273.3	2.0	13.0
Medical care services	292.5	2.7	12.5	297.0	2.3	13.1
Entertainment	198.5	0.3	12.8	205.3	-0.8	12.1
Other Goods & Services	224.6	2.7	9.9	229.4	2.0	10.1
ALL ITEMS (1957-59 = 100)	302.4			300.3		

* June 1978 = 100

TABLE I
GENERAL BUSINESS INDICATORS

	Nov. 1980	Oct. 1980	% change	Avg. Prior 6 mos.	Annual Avg. 1979
Manufacturing					
Average Work Week (hrs.)	41.00	40.90	0.2	40.30	40.70
Average Weekly Earnings (dollars)	315.29	310.84	1.4	297.95	240.99
Initial Claims for					
Unemployment Insurance	9,676.00	10,376.00	– 6.7	13,895.00	8,082.00
New Incorporations					
In-State For Profit	325.00	432.00	– 24.8	437.00	336.00
Out-of-State For Profit	102.00	130.00	– 21.5	99.00	88.00

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

Kansas Secretary of State

TABLE II
NON-FARM WAGE AND SALARY EMPLOYMENT BY PLACE OF WORK

(thousands)

Industry	Nov. 1980	Oct. 1980	% change	Nov. 1979	% change
All Industries	957.2	953.1	0.4	964.1	– 0.7
Manufacturing	183.0	182.2	0.4	201.8	– 9.3
Durable Goods	119.8	118.6	1.0	135.1	– 11.3
Stone, Clay, Glass	8.7	8.6	1.2	9.4	– 7.4
Primary Metals	3.7	3.8	– 2.6	4.4	– 15.9
Fabricated Metal Products	11.3	11.2	0.9	13.9	– 18.7
Machinery (incl. elec.)	33.5	33.2	0.9	38.2	– 12.3
Transportation Equipment	50.6	49.9	1.4	56.8	– 10.9
Aircraft & Parts	43.6	43.0	1.4	46.3	– 5.8
Other Durable Goods	12.0	11.9	0.8	12.5	– 4.0
Nondurable Goods	63.2	63.6	– 0.6	66.7	– 5.2
Food & Kindred Products	22.5	22.6	– 0.4	23.2	– 3.0
Meat Products	8.5	8.3	2.4	9.3	– 8.6
Apparel	3.5	3.9	– 10.3	3.7	– 5.4
Printing & Publishing	15.9	15.7	1.3	16.5	– 3.6
Chemicals	8.3	8.6	– 3.5	8.6	– 3.5
Petroleum & Coal	4.4	4.4	0.0	4.5	– 2.2
Other Nondurable	8.6	8.7	– 1.1	10.2	– 15.7
Mining	15.1	15.1	0.0	14.3	5.6
Oil & Gas Extraction	12.9	12.9	0.0	11.9	8.4
Contract Construction	48.3	49.5	– 2.4	53.1	– 9.0
Trans., Comm., Elec., Gas	65.4	65.4	0.0	66.5	– 1.7
Wholesale Trade	65.2	65.7	– 0.8	63.8	2.2
Retail Trade	167.1	163.9	2.0	166.3	0.5
Finance, Insurance, Real Estate	46.3	46.5	– 0.4	46.2	0.2
Services	175.6	175.6	0.0	168.0	4.5
Federal Government	27.2	27.0	0.7	26.5	2.6
State & Local Government	164.0	162.2	1.1	157.6	4.1

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS

Area	Nov. 1980	Oct. 1980	% change	Nov. 1979	% change
Kansas—Statewide					
Civilian Labor Force	1,214,700	1,224,100	– 0.8	1,208,800	0.5
Employed	1,166,800	1,176,000	– 0.8	1,177,300	– 0.9
Farm	54,700	66,700	– 18.0	56,000	– 2.3
Non-Farm	1,112,100	1,109,300	0.3	1,121,300	– 0.8
Unemployed	47,900	48,100	– 0.4	31,500	52.1
Rate	3.9%	3.9%		2.6%	
Lawrence SMSA					
Civilian Labor Force	35,800	36,400	– 1.6	34,600	3.5
Employed	34,300	35,000	– 2.0	33,700	1.8
Farm	700	900	– 22.2	700	0.0
Non-Farm	33,600	34,100	– 1.5	33,000	1.8
Unemployed	1,500	1,400	7.1	900	66.7
Rate	4.2%	3.8%		2.6%	
Kansas Portion of Kansas City SMSA					
Civilian Labor Force	271,900	272,700	– 0.3	271,100	0.3
Employed	259,900	260,700	– 0.3	262,100	– 0.8
Farm	1,200	1,500	– 20.0	1,200	0.0
Non-Farm	258,700	259,200	– 0.2	260,900	– 0.8
Unemployed	12,000	12,000	0.0	9,000	33.3
Rate	4.4%	4.4%		3.3%	
Topeka SMSA					
Civilian Labor Force	95,800	96,300	– 0.5	94,100	1.8
Employed	91,000	91,300	– 0.3	90,900	0.1
Farm	1,600	2,000	– 20.0	1,600	0.0
Non-Farm	89,400	89,300	0.1	89,300	0.1
Unemployed	4,800	5,000	– 4.0	3,200	50.0
Rate	5.0%	5.2%		3.4%	
Wichita SMSA					
Civilian Labor Force	228,400	227,300	0.5	227,000	0.6
Employed	220,000	219,100	0.4	222,000	– 0.9
Farm	2,200	2,700	– 18.5	2,300	– 4.3
Non-Farm	217,800	216,400	0.6	219,700	– 0.9
Unemployed	8,400	8,200	2.4	5,000	68.0
Rate	3.7%	3.6%		2.2%	
Barton Co.—Great Bend Area					
Civilian Labor Force	17,925	18,025	– 0.6	17,875	0.3
Employed	17,575	17,625	– 0.3	17,525	0.3
Farm	800	975	– 17.9	825	– 3.0
Non-Farm	16,775	16,650	0.8	16,700	0.4
Unemployed	350	400	– 12.5	350	0.0
Rate	2.0%	2.2%		2.0%	
Crawford Co.—Pittsburg Area					
Civilian Labor Force	16,800	16,950	– 0.9	16,725	0.4
Employed	15,975	16,150	– 1.1	16,150	– 1.1
Farm	725	875	– 17.1	750	– 3.3
Non-Farm	15,250	15,275	– 0.2	15,400	– 1.0
Unemployed	825	800	3.1	575	43.5
Rate	4.9%	4.7%		3.4%	

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS (Continued)

Area	Nov. 1980	Oct. 1980	% change	Nov. 1979	% change
Lyon Co.—Emporia Area					
Civilian Labor Force	17,875	17,925	−0.3	17,850	0.1
Employed	17,100	17,250	−0.9	17,475	−2.1
Farm	725	875	−17.1	725	0.0
Non-Farm	16,375	16,375	0.0	16,750	−2.2
Unemployed	775	675	14.8	375	106.7
Rate	4.3%	3.8%		2.1%	
Montgomery Co.—Coffeyville Area					
Civilian Labor Force	20,825	20,900	−0.4	21,275	−2.1
Employed	19,975	19,950	0.1	20,725	−3.6
Farm	525	625	−16.0	525	0.0
Non-Farm	19,450	19,325	0.6	20,200	−3.7
Unemployed	850	950	−10.5	550	54.5
Rate	4.1%	4.5%		2.6%	
Reno Co.—Hutchinson Area					
Civilian Labor Force	30,600	30,700	−0.3	31,900	−4.1
Employed	28,725	28,800	−0.3	31,200	−7.9
Farm	1,150	1,400	−17.9	1,175	−2.1
Non-Farm	27,575	27,400	0.6	30,025	−8.2
Unemployed	1,875	1,900	−1.3	700	167.9
Rate	6.1%	6.2%		2.2%	
Riley Co.—Manhattan Area					
Civilian Labor Force	22,275	22,175	0.5	21,900	1.7
Employed	21,375	21,400	−0.1	21,400	−0.1
Farm	925	1,100	−15.9	950	−2.6
Non-Farm	20,450	20,300	0.7	20,450	0.0
Unemployed	900	775	16.1	500	80.0
Rate	4.0%	3.5%		2.3%	
Saline Co.—Salina Area					
Civilian Labor Force	26,150	26,300	−0.6	26,100	0.2
Employed	24,925	25,100	−0.7	25,425	−2.0
Farm	600	750	−20.0	625	−4.0
Non-Farm	24,325	24,350	−0.1	24,800	−1.9
Unemployed	1,225	1,200	2.1	675	81.5
Rate	4.7%	4.6%		2.6%	

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE IV
RETAIL SALES SUBJECT TO SALES TAX BY BUSINESS CLASSIFICATION

(not available)

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY

(not available)

TABLE VI
PRICES RECEIVED BY KANSAS FARMERS

(dollars)

Items	Nov. 1980	Oct. 1980	% change	Nov. 1979	% change	Annual Avg. 1979
Prices Received by Farmers						
Field Crops						
Wheat (bu.)	4.26	4.14	2.9	3.93	8.4	3.49
Corn (bu.)	3.41	3.27	4.3	2.47	38.1	2.48
Sorghum (cwt.)	5.54	5.27	5.1	3.89	42.4	3.75
Hay (ton)	71.50	70.50	1.4	49.50	44.4	50.17
Soybeans (bu.)	8.31	8.00	3.9	5.86	41.8	6.72
Livestock & Products						
Beef Cattle (cwt.)	61.80	63.00	− 1.9	68.30	− 9.5	67.82
Calves (cwt.)	73.20	75.80	− 3.4	88.80	− 17.6	87.14
Hogs (cwt.)	44.80	46.30	− 3.2	34.30	30.6	41.83
Lambs (cwt.)	61.00	66.10	− 7.7	62.00	− 1.6	66.18
Sheep (cwt.)	16.40	14.70	11.6	34.00	− 51.8	21.15
Milk (cwt.)	14.30	13.70	4.4	12.90	10.9	12.24
Prices Paid by Farmers						
Soybean Meal (cwt.)	15.50	14.50	6.9	12.00	29.2	12.33
Bran (cwt.)	8.60	8.30	3.6	8.10	6.2	7.55
Beef Conc. (cwt.)	11.50	11.00	4.5	10.00	15.0	9.61
16% Dairy Feed (ton)	194.00	191.00	1.6	160.00	21.3	154.50
Hog Conc. (cwt.)	17.00	16.20	4.9	14.00	21.4	13.83
Laying Feed (ton)	235.00	225.00	4.4	183.00	28.4	180.75

Source: Kansas Crop and Livestock Reporting Service
Kansas State Board of Agriculture

U.S. Department of Agriculture

TABLE VII
COMMERCIAL BANKING ACTIVITY FOR ALL BANKS

(millions of dollars)

	Nov. 1980	Oct. 1980	% change	Nov. 1979	% change
Kansas—Statewide					
Loans	8,187	8,046	1.8	8,180	0.1
Demand Deposits	4,808	4,678	2.8	4,528	6.2
Time & Saving Deposits	9,390	9,324	0.7	8,573	9.5
Loan-to-Deposit Ratio	57.7%	57.5%		62.4%	
Kansas City (Wyandotte)					
Loans	512	507	1.0	566	-9.5
Demand Deposits	291	297	-2.0	267	9.0
Time & Saving Deposits	589	580	1.6	593	-0.7
Loan-to-Deposit Ratio	58.2%	57.8%		65.8%	
Topeka (Shawnee)					
Loans	487	488	-0.2	513	-5.1
Demand Deposits	323	312	3.5	343	-5.8
Time & Saving Deposits	450	480	-6.3	571	-21.2
Loan-to-Deposit Ratio	63.0%	61.6%		56.1%	
Wichita (Sedgwick)					
Loans	1,234	1,210	2.0	1,220	1.1
Demand Deposits	1,012	972	4.1	893	13.3
Time & Saving Deposits	1,246	1,242	0.3	1,096	13.7
Loan-to-Deposit Ratio	57.4%	54.7%		61.3%	

Source: Research Department
Federal Reserve Bank of Kansas City

Institute for Economic and Business Research

TABLE VII-I
COMMERCIAL BANKING ACTIVITY FOR MEMBER BANKS

(millions of dollars)

	Nov. 1980	Oct. 1980	% change	Nov. 1979	% change
Kansas—Statewide					
Loans	3,593	3,531	1.8	3,597	– 0.1
Demand Deposits	2,149	2,091	2.8	2,024	6.2
Time & Saving Deposits	3,971	3,943	0.7	3,628	9.5
Loan-to-Deposit Ratio	58.7%	58.5%		63.6%	
Kansas City (Wyandotte)					
Loans	200	198	1.0	221	– 9.5
Demand Deposits	115	117	– 1.7	108	6.5
Time & Saving Deposits	207	204	1.5	208	– 0.5
Loan-to-Deposit Ratio	62.1%	61.7%		69.9%	
Topeka (Shawnee)					
Loans	257	258	– 0.4	271	– 5.2
Demand Deposits	185	179	3.4	196	– 5.6
Time & Saving Deposits	230	246	– 6.5	295	– 22.0
Loan-to-Deposit Ratio	61.9%	60.7%		55.2%	
Wichita (Sedgwick)					
Loans	699	685	2.0	691	1.2
Demand Deposits	552	531	4.0	487	13.3
Time & Saving Deposits	604	602	0.3	531	13.7
Loan-to-Deposit Ratio	60.5%	60.5%		67.9%	

Source: Research Department
Federal Reserve Bank of Kansas City
Institute For Economic and Business Research

TABLE VII
SAVINGS AND LOAN ACTIVITY

(thousands of dollars)

	Nov. 1980	Oct. 1980	% change	Nov. 1979	% change
Net New Savings	29,900	21,500	39.1	5,400	453.7
Mortgage Loans Made	82,400	118,900	– 30.7	78,100	5.5

Source: Federal Home Loan Bank of Topeka

The University of Kansas
Kansas Business Review (USPS 395-310)
January 1981 Vol. 4 No. 5

Published ten months a year (September-June) by the Institute for Economic and Business Research, The University of Kansas, Lawrence, Kansas 66045. Second-Class postage paid at Lawrence, Kansas 66045.

II CONGRESSIONAL INFO SERVICES/S
7101 WISCONSIN AVE.
WASHINGTON, DC 20014

February 1981
Vol. 4 No. 6

U 7095-1 U

KANSAS BUSINESS REVIEW

In this issue:

Mineral Shortages in the 80s: Going the Way of the Buffalo?
William W. Hambleton
Rex Buchanan

Geological Survey Explores Strategic Mineral Resources in Kansas

The Kansas Economy

Economic Indicators

Institute for Economic and Business Research, The University of Kansas

KANSAS BUSINESS REVIEW

(USPS 395-310)

February 1981
Vol. 4, No. 6

In This Issue: Page

Mineral Shortages in the 80s: Going the Way of the Buffalo? 1
Rex Buchanan
William W. Hambleton

Geological Survey Explores Strategic Mineral Resources in Kansas 2

The Kansas Economy 5

Economic Indicators 7

Advisory Board of the Institute for Economic and Business Research—Professor Robert Cobb, Executive Vice Chancellor; Mr. James H. DeCoursey, Jr., Secretary, Kansas Department of Economic Development; Acting Dean Jack Gaumnitz, School of Business; Vice Chancellor Frances Horowitz; Mr. Carl C. Nordstrom, Executive Vice-President, Kansas Association for Commerce and Industry; Professor Anthony Redwood, Director, Institute for Economic and Business Research; Professor Thomas J. Weiss, Chairman, Department of Economics.

Editorial Staff—Professor Anthony Redwood, Director; Michael Valk, Editor; Janet E. Majure, Associate Editor; Robert H. Glass, John Cita, Robin Hunn, and Sally Kleiner, Research Assistants.

Kansas Business Review is published ten months a year (September-June) by the Institute for Economic and Business Research, 319 Raymond Nichols Hall, The University of Kansas, Lawrence, Kansas 66045. It is designed by the Division of Publications, Office of University Relations.

Manuscripts for publication in *Kansas Business Review* are solicited from readers and should be sent to the editors for consideration.

Opinions expressed in the articles are those of the author(s) and do not necessarily reflect those of The University of Kansas.

Mineral Shortages in the 80s:
Going the Way of the Buffalo?

Rex Buchanan
William W. Hambleton

> **But the decade ahead may hold a problem so severe that it makes the energy crisis look like a cakewalk: shortages of strategic nonfuel minerals.**

As the 1970s passed, so did the notion that natural resources are infinite. Most visibly, the past decade forced America to come to grips with the gnawing notion of limited supplies of oil and natural gas, so that Americans have begun to recognize the necessity of conserving energy while encouraging its production. Today the nation is beginning to move towards solutions to some of its energy problems.

But the decade ahead may hold a problem so severe that it makes the energy crisis look like a cakewalk: shortages of strategic nonfuel minerals. There is now a slight but growing recognition that the United States is dependent upon other countries for a variety of minerals, some industrially essential and others more exotic. In some aspects, this shortage is the result of a mineral-hungry nation banging up against the limits of finite resources. Many of the most accessible and richest deposits in this nation have been mined, so that America now faces increasing mineral prices and the possibility of shortages. Yet the problem is not so simple. Some deposits have not been found and developed because of an assortment of factors that serve to discourage mineral exploration.

The result is a distressing reliance on foreign supplies. Many countries supplying strategic minerals are politically unstable, and there looms the new-found possibility that the minerals export market may be manipulated in much the same fashion that OPEC has controlled oil prices and supplies. Unlike the oil situation, however, the United States has little or no domestic production of many important minerals. Stockpiling strategic minerals is only a short-term solution, and in a number of cases no known alternatives or substitutes are available. In short, the United States depends on a willing world as it scrambles for its mineral fix.

The Extent of the Problem

To begin, it is necessary to comprehend the extent of the problem. Currently, the U.S. imports more than 50 percent of 20 major metals used throughout industry; those minerals include zinc, tin, and nickel. Probably the most ominous case of foreign reliance is in chromium and platinum-group metals for which the United States depends almost entirely on foreign sources, particularly the Soviet Union and South Africa. A disruption in the supply of chromium—used throughout construction and in stainless steel manufacture—is most serious because the U.S. has developed virtually no chromium production of its own.

There are other examples:

Cobalt: 97 percent of the cobalt used in the U.S. comes from outside this country, mostly from Zaire and Zambia. Cobalt is used widely in aircraft manufacture.

Manganese: The U.S. imports 98 percent of its manganese, primarily from South Africa and Gabon. The mineral's chief use is in steel manufacture and various chemical processes.

Titanium: The U.S. imports large amounts of titanium sponge from the USSR; titanium is used extensively in aircraft manufacture, and there is no known substitute.

The situation is troubling, and it is getting worse. According to a recent report by the General Accounting Office, zinc processing facilities in this country have decreased by almost half in the past several years, while zinc imports have climbed by 89 percent. Imports of copper have increased during the past decade from six percent to over 19 percent of U.S. consumption. Imports of aluminum are expected to double by the year 2000.

Moreover, problems with U.S. production are reflected not only in increased importation, but in dramatically rising prices for minerals. For example, after the Soviet Union stopped signing new contracts to export titanium sponge, the price on the European market jumped from $3.98 per pound last March to $25.

> **Many countries supplying strategic minerals are politically unstable, and there looms the new-found possibility that the minerals export market may be manipulated in much the same fashion that OPEC has controlled oil prices and supplies.**

APR 28 1981

Geological Survey Explores Strategic Mineral Resources in Kansas

The Kansas Geological Survey has long supported studies of deeply buried basement rocks in Kansas. These studies, based largely on well cuttings, have involved definition of Precambrian igneous, metamorphic, and sedimentary terranes and have led to the establishment of a tentative chronology for formation of these units.

Geophysical research—involving aeromagnetic, gravity, heat-flow, and seismicity studies—have reinforced our knowledge of the sub-surface of Kansas. The Nuclear Regulatory Commission has supported tectonics and seismicity studies over a four-year period. The Department of Energy (DOE) is supporting geothermal studies over a two-year period and plans to continue support of these studies for another two years. Although these studies are related to energy matters, ore deposits represent the end product of the upwelling of geothermal fluids, probably along basement faults. It is anticipated that these studies can detect "fossil geothermal areas" and that seismology, gravity, and aeromagnetic studies will further define areas of structural anomalies.

The Kansas Geological Survey's geochemical studies of water and its participation in the National Uranium Resource Evaluation (NURE) program, with support from DOE, should provide important findings on the habitat of ore minerals. Waters that reach the surface often carry chemical constituents that have been leached from ore deposits. The NURE program is interested only in uranium and daughter products. Other analytical results probably will languish in files of the DOE unless analyzed by the Kansas Geological Survey.

The Survey has developed automated well-log analysis systems and has undertaken studies of important sedimentary units that typically bear

---

The result of higher prices and growing dependence on foreign minerals has been threefold. First, the U.S. is increasingly vulnerable to supply disruption. While market manipulation a la OPEC would be difficult for most foreign minerals producers, there remains the threat of political instability in exporting countries, along with supply disruption resulting from natural disasters—such as earthquakes and floods—and cutoffs of supplies because of international political squabbles. Second, the lack of available domestic minerals has cost a number of jobs in the minerals industry. And third, the importation of large amounts of increasingly costly minerals has led to growing pressure on the U.S. balance-of-payments situation, hardly a welcome development during a period of huge oil imports.

The Source of the Problem

American mineral production has failed to keep pace with demand for a number of reasons that are complex and intertwined. The shortfall has much to do with the drop in production that is inevitable in finite resources. But there are other reasons. Again according to the General Accounting Office, there is a lack of new investment capital in the industry, so that American producers have failed to keep up with the increasing productivity of foreign sources. There is also more concern over energy prices and availability, and the role that foreign governments are taking in aiding their own mineral producers is making competition more difficult.

Then there is the role of the federal government, a posture that many producers believe impinges upon production rather than aiding it. Federal agencies currently control about 760 million acres in the U.S., about one-third of the land area. In much of this land there are a variety of restrictions on exploration and development. (Arizona, for instance, is estimated to contain 65 percent of U.S. copper reserves, yet 70 percent of the state is federally controlled land.) The impact of such restrictions is debatable, but the fact remains that the development of mineral production requires vast lead times, and the results of restrictions now may not be known until well down the road. In addition, government regulations aimed toward environmental protection have spurred development costs. While there is no disputing the desirability of protecting the environment, the nation must be aware of the increased costs incurred—and the long-term restriction on domestic production—that result from such measures.

Responses to the Problem

There are a number of possible responses to the problem of increasing dependence on foreign minerals, many of them involving a rethinking of federal activities in the minerals production arena. Thus far, however, the federal establishment seems oblivious to many problems of mineral production. Other obvious reactions are conservation, increased emphasis on recycling, and more active research on substitutes.

Another possible measure is a renewed search for minerals in previously explored areas. One of those areas is the midcontinent region between the Ozark Uplift in Missouri and the Rocky Mountain Front in Colorado. This area remains largely unexplored for metallic minerals, mostly because exploration has concentrated on finding oil and gas and because surface expression of metallic minerals is subtle or seemingly absent.

At present, the existence of significant undiscovered mineral deposits in Kansas is highly conjectural. This is because so little information is available on the Precambrian basement rocks, those ancient and deeply buried formations that are rarely penetrated by oil or gas drilling. In addition, the younger sedimentary rock layers above the Precambrian have been examined almost exclusively for oil and gas.

Still, there is evidence that the region is a potential target for exploration: the occurrence of metallic minerals in well cuttings; past mining in the Tri-State lead and zinc district of Kansas, Missouri, and Oklahoma; dispersed sedimentary copper deposits in Oklahoma and Kansas; and identified favorable structures and host rocks in the subsurface in a broad belt extending from Minnesota through oil and gas. These studies can be extended to the search for ore deposits.

The Survey has long been a leader in research activities relating to assessment of mineral-resource potential in areas of sparse data. Spatial analysis, using statistical and probabilistic approaches, has been prominent. The regional-value concept, articulated best by J.C. Griffiths, was developed in the Kansas Geological Survey. Other approaches involve deposit modeling, using analysis of known deposits in similar environments.

Despite the thousands of oil and gas wells drilled in Kansas, the tectonic framework of Kansas is poorly understood. A key to better understanding of this tectonic framework may be found in deeply buried basement rocks. Evidence is growing that the Kansas basement exhibits a rich diversity of rock type and structure and has been tectonically active from the Precambrian age to the present. Intensive study of rock cuttings and cores; well logs; aeromagnetic, seismic, and gravity data; and structure and stratigraphy of overlying sedimentary units by the Kansas Geological Survey and others is leading to new insights about the history of the Kansas basement complex and its control of subsequent geologic events.

Geologist John Harbaugh recently completed an analysis and comparison of historical changes in oil and gas field sizes in Kansas, Wyoming, and California. This study confirmed that populations of oil and gas fields tend to exhibit a lognormal distribution, that large oil and gas fields tend to be found early in the history of a region, and that the size of fields tends to diminish progressively as exploration proceeds. He segregated presently known fields into groups representing the first 20 percent to be discovered, the second 20 percent to be discovered, and so on, and then forecast the character of the next 20 percent *to be discovered.* The forecast for new-field discoveries in Kansas is rather pessimistic. If 598 new fields are discovered—the next 20 percent—they probably will contribute only 2 or 3 percent more oil, or approximately 55

In Kansas, a well-coordinated effort offers the opportunity to contribute to the solution of a national problem.

Kansas to Oklahoma. In addition, new techniques in solution mining open the prospect for deep mining of metallic deposits in an environmentally acceptable manner.

One key to a renewed search for minerals is the realization that we are hunting an increasingly scarce commodity. An old frontier axiom advises that you "shoot buffalo where the buffalo are." This philosophy has also prevailed in the search for minerals. A wiser philosophy, when either buffalo or minerals are scarce, is to first study the habitat of the buffalo or minerals, and then attempt to predict where the prize might be. **As part of this new effort at finding metallic minerals, the Kansas Geological Survey has adopted such a strategy in a major program to determine the habitat of minerals in Kansas.** This program, already underway, uses geophysical studies—including aeromagnetics, gravity, heat-flow measurements, and seismicity—along with geochemical studies and spatial analysis, to learn about the habitat of Kansas minerals. The program's aim is to determine the chances that minerals might be present in economically important quantities in the Kansas subsurface.

This search revolves around economic concentrations of metallic minerals, called ore deposits, that are the result of geologic processes that cause widely dispersed chemical constituents in the earth's crust to accumulate in certain habitats. Fundamentally, the process is one of mobilization, transport, and fixation of these chemical constituents within critical temperature and pressure ranges. Also necessary are appropriate geologic settings that permit either precipitation of minerals from fluids or fixation by chemical reactions with the host rock. By studying ore deposits near the surface, geologists already know the general conditions required for accumulation of specific minerals. Some minerals, such as chromite, occur in high-temperature regimes of certain igneous rocks. Other minerals—such as galena (the source of lead ore) and sphalerite (zinc ore)—occur in lower temperature regimes in sedimentary rocks where ore-bearing fluids have reacted with the host rock. Thus, mineral habitats can be catalogued. In Kansas, and in most of the midcontinent, these habitats are usually hidden and must be explored by a number of remote sensing methods and by applying search theory.

In Kansas, a well-coordinated effort offers the opportunity to contribute to the solution of a national problem. But it can be only one part of the effort. Attitudes must also change. No longer are we dealing with unlimited resources, but resources—like the buffalo of years ago—that are growing increasingly scarce.

William W. Hambleton has been director of the Kansas Geological Survey since 1970. Rex Buchanan is director of information at the Survey. This issue's article expands upon a study that appeared in Volume 2, Number 3 of the Kansas Geological Survey's *The Journal.*

million barrels. One should note that this prediction is based upon cumulative production of oil through the end of 1978 for all fields discovered to the end of 1973, excludes gas, does not include estimates of remaining reserves because the figures are not available, does not include enhanced recovery potential, excludes increases in oil and gas production that may result from extension of known fields, and excludes provinces that have been relatively explored.

On a more positive note, a recent paper noted, "A large portion of the future reserves of the world will be found in subtle traps, and many of them will be discovered in mature producing basins." The Kansas Geological Survey strongly shares this view.

As an illustration, many have written off the Salina and Forest City basins as barren of additional production. However, the Salina Basin of 9,100 square miles has a dry-hole density of only one well per 25 square miles. The Nemaha Uplift and the Forest City Basin, with an area of 7,800 square miles, have a dry-hole density of only one well per 11 square miles. This is scarcely well-explored territory. Granted, exploration in the Salina and Forest City basins has been discouraging. Since the 1920s and through the 1950s, a few significant oil discoveries were made using techniques such as surface geology, core drilling, and early vintage seismology. Since then, success has contiued to be very limited even with more sophisticated seismic surveys and drilling and completion technology. The producing areas in these basins are substantially less than in adjacent basins and platforms to the south and southeast.

Nevertheless, source rocks are available in the Chattanooga and Cherokee shales. Studies of organic macerals by reflectance technique indicate a level of maturation sufficient to generate oil and gas. Thus, potential producing zones are available.

The Kansas Economy

General Business

The national economy in December showed encouraging as well as discouraging signs, leaving Americans uncertain as to the economic outlook for 1981. New factory orders rose 1.9 percent in December to a seasonally adjusted $161.81 billion for a sixth consecutive monthly increase after June's recession-caused low of $138.58 billion. Orders for durable goods increased 1.8 percent after November's 0.4 percent rise, mostly in the defense sector. Orders in December of nondefense capital goods fell 1.0 percent; non-durable goods rose 2.1 percent after rising 0.5 percent in November.

For the year, new factory orders increased 4.6 percent as the value of new orders rose to $1.811 trillion after 1979's volume of $1.732 trillion. Adjusting these figures for inflation, however, results in the 1980 figure being $.02 trillion ($20 billion) behind the 1979 figure in real terms. Yet, the 1980 annual figure came at the end of a fourth quarter that showed a strong, 5.0 percent growth rate. This year's first quarter, when the figures are in, will likely show that their growth rate did not continue into the new year. Consumers, meanwhile, felt the pinch as the December inflation rate was in the range of a 10 percent to 12 percent annual rate. Energy-cost increases of 20-25 percent accounted for much of the rise, and wage and benefits were estimated to have risen at a 10 percent annual rate. The Consumer Price Index for the year, by comparison, rose 12.4 percent. Consumers apparently cut back their spending as a result. Retail sales in December were off 1.3 percent from November. Consumer thrift also was reflected in December's consumer borrowing, which rose an adjusted $1.62 billion, a 6 percent annual rate. The increase put outstanding consumer debt for the year at $313.44 billion, up only 0.5 percent from 1979 for the smallest annual increase since 1958, when consumer credit fell 0.5 percent.

Automakers reported January 1981 sales up slightly from December, but down markedly from 1980's unusually high January auto sales level.

Interest rates movement offered the chief good news for the economy in December and January. The prime rate, banks short-term lending rate for their best customers, fell steadily from a high of 21.5 percent. As of mid-February, many banks had reduced their prime to 19 percent. The rate on federal funds that reserve banks lend one another likewise has been falling from the record 20.06 percent average of the week ended January 7 to around 17-18 percent the first week of February.

Also encouraging for the national economy were unemployment rate figures for January. The rate held steady at an adjusted 7.4 percent for January and December, down from 7.5 percent in November and 7.6 percent in October.

The Kansas, economy, meanwhile, showed similarly mixed results. For example, while the average work week and weekly earnings rose in December, initial claims for unemployment insurance also were rising.

The average work week rose an encouraging 2.4 percent to 42 hours from the November 41-hour level. The work week, which was 1.5 hours longer than the average for the preceding six months, may have been a product of a surge in some industries during the holiday season. If so, the increase, when coupled with the 57.5 percent rise in unemployment claims, offered little encouragement for 1981. New incorporations rose dramatically in the in-state, for profit sector. Those December incorporations rose 99.7 percent from November, and out of-state incorporations showed a strong, 27.5 percent rise.

Employment

As might be expected from the work week and unemployment claims data, statewide employment rose only slightly in December. The 956,800 all-industry employment was only 0.1 percent higher than in November and 1.2 percent below employment in December 1980.

As compared with November, most sectors showed modest employment gains in December. Showing the greatest percentage increase was the chemicals industry, up 4.8 percent to the 8,700 level. Continuing to suffer from interest rate's depressing effects on the construction industry was contract construction employment, off 6.7 percent from November and 17.5 percent from December 1979. As compared with last year, the greatest increase in employment levels was in oil and gas extraction, up 22.3 percent, and the greatest decline was in stone, clay, and glass manufacturing, down 27.9 percent.

The labor force, meanwhile, declined in December. The civilian labor force statewide of 1,209,500 was 0.4 percent lower than in November and 0.5 percent lower than in December 1979.

The decline in the size of the labor force was not balanced throughout the work force, as the unemployment rate rose to 4.0 percent from November's 3.9 percent rate and December 1979's 3.2 percent rate. Pushing up the unemployment rate was the 0.2 percent monthly rise in the number of unemployed workers. The biggest loss in employment was among farm workers, of whom there were 7.9 percent fewer employed in December as compared with November. The drop was not too unusual, however, as the decline was only 2.1 percent from the December 1979 level.

Reno County-Hutchinson, again topped the state in area wide unemployment, with its 5.7 percent rate. That rate, however, was a substantial improvement from November's 6.1 percent rate, and the improvement came even as the size of the area labor force increased 1.2 percent. Also registering higher-than-state-average unemployment rates were the Lawrence SMSA (at 4.3 percent unemployment), the Kansas portion of the Kansas City SMSA (4.5 percent), Topeka (5.2 percent), Crawford County-Pittsburgh (5.3 percent), Lyon County-Emporia (4.3 percent), Riley County-Manhattan (4.3 percent), and Saline County-Salina (4.3 percent). The Barton County-Great Bend area improved its already good unemployment rate to 1.9 percent from November's 2.0 percent, despite a 0.7 percent increase in the labor force.

Retail Sales

Retail sales tax collections for the three months ending in November showed generally declining revenues as compared with the previous three-month average. Sales were up, however, compared with year-ago levels. It should be noted that these figures are unadjusted for variations in the number of work days in a quarter. In this case, the preceding quarter did have fewer working days, which probably accounts for most of the decline from the previous period.

Farm Prices

A month of generally falling prices closed out 1980 in the farm sector, but the value of Kansas crop production (excluding sugar beets) for the crop year totaled a record $3.08 billion, up less than 1.0 percent from 1979, according to the Kansas Crop and Livestock Reporting Service. Leading the way was wheat, whose value of $1.64 billion was 7.0 percent higher than 1979 value and almost double the 1978 value.

Total livestock inventories totaled $2.75 billion at the end of 1980 for a 7.0 percent decline from 1979. The reduced valuation followed a decline in prices, as cattle per head on January 1, 1981, was $405 as compared with $455 a year earlier. Cattle and calf numbers, however, as of January 1, 1981, were up 1.0 percent from the year previous. The number of calves born increased 10 percent in 1980 for a total of 1.85 million head over 1979. These figures compare with a U.S. calf production increase of 6.0 percent from 1979.

Commercial red meat production for December 1980 rose 13 percent from November to cap 1980's 6.0 percent annual increase in red meat production.

December's farm-product prices reflect these state aggregates of production. Except for hay, which has been stabilizing after its year of large price increases, field crop prices in December declined slightly from November. After hay's 58 percent increase from a year earlier, sorghum led gainers, showing a 41.8 percent annual increase despite its 3.2 percent drop since November. Meat showed the smallest increase over the previous year, only 5.8 percent, but this was despite a 5.9 percent decline from November. Most livestock prices fell in December as compared with November and with December 1979. They showed the lone monthly gain, of 22.0 percent, but remained 6.1 percent behind December 1979 levels.

Farmers' cost increases didn't abate in December. Soybean meal at $15.50 a hundredweight, held steady since November, as did prices for hog concentrate and laying feed. Bran, however, jumped 9.3 percent to $9.40 a hundredweight for the month. Even with some of the costs holding steady from November, they all showed increases of about 20 percent over 1979 levels.

Financial Activity

Deposits statewide, for all banks and for Federal Reserve member banks, fell from November levels. Statewide (all banks), demand deposits fell from $4.8 billion in November to $4.3 billion in December for a 10.3 percent decline, and time and savings deposits fell from $9.4 billion to $8.4 billion for 10.9 percent decline. These declines in deposits, coupled with a 2.1 percent increase in loans, from $82. billion to $8,358 million, resulted in a jump in the loan-to-deposit ratio.

Such a drop in December deposits is not uncommon, as consumers increase their spending during the holiday season. The December 1980's level, however, was below that of December 1979. Demand deposits were off 8.5 percent as compared with the previous year.

Kansas City, Kansas member banks suffered the greatest monthly loss in deposits, as demand deposits declined 20.0 percent from November and savings deposits fell 19.3 percent. In comparing with year-ago levels, Topeka member banks had a 22.0 percent decline in demand deposits and a 25.1 percent decline in savings deposits.

Net new savings suffered a dramatic decline of 41.8 percent from November, probably as a result of withdrawals for holiday purchases. But the net new savings level of $17.4 million looked good as compared with December 1979, when withdrawals exceeded new deposits by $13.8 million. The savings and loans' rebound from their depressed performance in December 1979 also was evident in their mortgage loans made. The December 1980 level of $79.1 million was 53.9 percent higher than December 1979's $51.4 million level despite 1980's soaring interest levels.

TABLE I
GENERAL BUSINESS INDICATORS

	Dec. 1980	Nov. 1980	% change	Avg. Prior 6 mos.	Annual Avg. 1979
Manufacturing					
Average Work Week (hrs.)	42.00	41.00	2.4	40.50	40.70
Average Weekly Earnings (dollars)	321.72	315.29	2.0	302.54	240.99
Initial Claims for					
Unemployment Insurance	13,944.00	8,856.00	57.5	12,651.00	8,082.00
New Incorporations					
In-State For Profit	649.00	325.00	99.7	398.00	336.00
Out-of-State For Profit	130.00	102.00	27.5	100.00	88.00

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

Kansas Secretary of State

TABLE II
NON-FARM WAGE AND SALARY EMPLOYMENT BY PLACE OF WORK

(thousands)

Industry	Dec. 1980	Nov. 1980	% change	Dec. 1979	% change
All Industries	956.8	956.3	0.1	968.1	– 1.2
Manufacturing	185.9	184.8	0.6	203.5	– 8.6
Durable Goods	119.6	119.2	0.3	135.6	– 11.8
Stone, Clay, Glass	7.5	7.6	– 1.3	10.4	– 27.9
Primary Metals	3.7	3.6	2.8	3.9	– 5.1
Fabricated Metal Products	12.1	12.2	– 0.8	13.7	– 11.7
Machinery (incl. elec.)	33.7	33.5	0.6	34.5	– 2.3
Transportation Equipment	50.5	50.3	0.4	60.0	– 15.8
Aircraft & Parts	43.2	43.1	0.2	49.6	– 12.9
Other Durable Goods	12.1	12.0	0.8	13.2	– 8.3
Nondurable Goods	66.3	65.6	1.1	67.9	– 2.4
Food & Kindred Products	23.2	23.2	0.0	23.9	– 2.9
Meat Products	8.8	8.8	0.0	9.3	– 5.4
Apparel	3.3	3.5	– 5.7	3.4	– 2.9
Printing & Publishing	16.2	15.8	2.5	16.8	– 3.6
Chemicals	8.7	8.3	4.8	8.7	0.0
Petroleum & Coal	5.0	4.9	2.0	4.8	4.2
Other Nondurable	9.9	9.9	0.0	10.3	– 3.9
Mining	15.6	15.6	0.0	13.6	14.7
Oil & Gas Extraction	13.7	13.6	0.7	11.2	22.3
Contract Construction	43.0	46.1	– 6.7	52.1	– 17.5
Trans., Comm., Elec., Gas	64.0	64.0	0.0	67.1	– 4.6
Wholesale Trade	65.4	65.2	0.3	62.4	4.8
Retail Trade	169.0	165.4	2.2	170.9	– 1.1
Finance, Insurance, Real Estate	47.3	46.9	0.9	47.5	– 0.4
Services	173.6	173.9	– 0.2	166.4	4.3
Federal Government	26.6	26.6	0.0	25.7	3.5
State & Local Government	166.4	167.8	– 0.8	158.9	4.7

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS

Area	Dec. 1980	Nov. 1980	% change	Dec. 1979	% change
Kansas—Statewide					
Civilian Labor Force	1,209,500	1,214,700	– 0.4	1,215,700	– 0.5
Employed	1,161,500	1,166,800	– 0.5	1,176,900	– 1.3
Farm	50,400	54,700	– 7.9	51,500	– 2.1
Non-Farm	1,111,100	1,112,100	– 0.1	1,125,400	– 1.3
Unemployed	48,000	47,900	0.2	38,800	23.7
Rate	4.0%	3.9%		3.2%	
Lawrence SMSA					
Civilian Labor Force	34,500	35,600	– 3.1	34,600	– 0.3
Employed	33,900	34,100	– 0.6	33,500	1.2
Farm	600	700	– 14.3	600	0.0
Non-Farm	33,300	33,400	– 0.3	32,900	1.2
Unemployed	1,500	1,500	0.0	1,100	36.4
Rate	4.3%	4.2%		3.2%	
Kansas Portion of Kansas City SMSA					
Civilian Labor Force	269,000	266,600	0.9	273,000	– 1.5
Employed	257,000	254,600	0.9	264,000	– 2.7
Farm	1,100	1,200	– 8.3	1,100	0.0
Non-Farm	255,900	253,400	1.0	262,900	– 2.7
Unemployed	12,000	12,000	0.0	9,000	33.3
Rate	4.5%	4.5%		3.3%	
Topeka SMSA					
Civilian Labor Force	94,300	94,200	0.1	93,400	1.0
Employed	89,400	89,400	0.0	90,000	– 0.7
Farm	1,500	1,600	– 6.3	1,500	0.0
Non-Farm	87,900	87,800	0.1	88,500	– 0.7
Unemployed	4,900	4,800	2.1	3,400	44.1
Rate	5.2%	5.1%		3.6%	
Wichita SMSA					
Civilian Labor Force	225,400	225,300	0.0	226,500	– 0.5
Employed	217,500	216,800	0.3	220,800	– 1.5
Farm	2,000	2,200	– 9.1	2,100	– 4.8
Non-Farm	215,500	214,600	0.4	218,700	– 1.5
Unemployed	7,900	8,500	– 7.1	5,700	38.6
Rate	3.5%	3.8%		2.5%	
Barton Co.—Great Bend Area					
Civilian Labor Force	18,050	17,925	0.7	17,575	2.7
Employed	17,700	17,575	0.7	17,300	2.3
Farm	750	800	– 6.3	775	– 3.2
Non-Farm	16,950	16,775	1.0	16,525	2.6
Unemployed	350	350	0.0	275	27.3
Rate	1.9%	2.0%		1.6%	

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS (Continued)

Area	Dec. 1980	Nov. 1980	% change	Dec. 1979	% change
Crawford Co.—Pittsburg Area					
Civilian Labor Force	17,050	16,800	1.5	16,525	3.2
Employed	16,150	15,975	1.1	15,975	1.1
Farm	675	725	- 6.9	700	- 3.6
Non-Farm	15,475	15,250	1.5	15,275	1.3
Unemployed	900	825	9.1	550	63.6
Rate	5.3%	4.9%		3.3%	
Lyon Co.—Emporia Area					
Civilian Labor Force	17,825	17,875	- 0.3	17,825	0.0
Employed	17,050	17,100	- 0.3	17,375	- 1.9
Farm	650	725	- 10.3	675	- 3.7
Non-Farm	16,400	16,375	0.2	16,700	- 1.8
Unemployed	775	775	0.0	450	72.2
Rate	4.3%	4.3%		2.5%	
Montgomery Co.—Coffeyville Area					
Civilian Labor Force	21,050	20,825	1.1	20,975	0.4
Employed	20,250	19,975	1.4	20,425	- 0.9
Farm	475	525	- 9.5	500	- 5.0
Non-Farm	19,775	19,450	1.7	19,925	- 0.8
Unemployed	800	850	- 5.9	550	45.5
Rate	3.8%	4.1%		2.6%	
Reno Co.—Hutchinson Area					
Civilian Labor Force	30,975	30,600	1.2	32,250	- 4.0
Employed	29,200	28,725	1.7	31,475	- 7.2
Farm	1,050	1,150	- 8.7	1,075	- 2.3
Non-Farm	28,150	27,575	2.1	30,400	- 7.4
Unemployed	1,775	1,875	- 5.3	775	129.0
Rate	5.7%	6.1%		2.4%	
Riley Co.—Manhattan Area					
Civilian Labor Force	21,575	22,275	- 3.1	21,675	- 0.5
Employed	20,650	21,375	- 3.4	21,125	- 2.2
Farm	850	925	- 8.1	850	0.0
Non-Farm	19,800	20,450	- 3.2	20,275	- 2.3
Unemployed	925	900	2.8	550	68.2
Rate	4.3%	4.0%		2.5%	
Saline Co.—Salina Area					
Civilian Labor Force	26,850	26,150	2.7	25,575	5.0
Employed	25,625	24,925	2.8	24,825	3.2
Farm	550	600	- 8.3	575	- 4.3
Non-Farm	25,075	24,325	3.1	24,250	3.4
Unemployed	1,225	1,225	0.0	750	63.3
Rate	4.6%	4.7%		2.9%	

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE IV
RETAIL SALES SUBJECT TO SALES TAX BY BUSINESS CLASSIFICATION

(millions of dollars)

Business Classification	Nov. * 1980	Aug.* 1980	% change	Nov.* 1979	% change
Apparel	26.5	27.2	– 2.6	24.3	9.1
Automotive	186.7	201.1	– 7.2	194.4	– 4.0
Food	237.4	261.6	– 9.3	215.3	10.3
Furniture	41.4	42.5	– 2.6	38.1	8.7
General Merchandise	135.0	154.8	– 12.8	129.9	3.9
Lumber and Building Materials	88.9	90.0	– 1.2	87.1	2.1
Professional and Personal Service	42.9	45.3	– 5.3	36.0	19.2
Public Utilities	47.8	45.6	4.8	46.5	2.8
Unclassified	100.0	113.6	– 12.0	90.3	10.7
Farm and Garden Products	0.9	0.9	0.0	0.8	12.5
Manufacturing and Trading	83.5	88.2	– 5.3	70.6	18.3
Miscellaneous	3.1	3.3	– 6.1	2.3	34.8
Total	994.5	1074.6	– 7.5	936.1	6.2

* Monthly Average for Prior Three Months

Source: Tax Research Section
Kansas Department of Revenue

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY

(thousands of dollars)

County	Sales * Nov. 1980	Sales * Aug. 1980	Change From Aug. 1980 (%)	Sales * Nov. 1979	Change From Nov. 1979 (%)
Allen	4,691	5,217	– 10.0	4,577	2.4
Anderson	2,046	2,512	– 18.5	2,269	– 9.8
Atchison	4,301	4,693	– 8.3	4,513	– 4.7
Barber	2,355	2,815	– 16.3	2,355	– 0.0
Barton	27,278	28,965	– 5.8	21,570	26.5
Bourbon	4,842	5,531	– 12.5	5,048	– 4.1
Brown	3,070	3,611	– 15.0	3,200	– 4.1
Butler	16,434	18,226	– 9.8	14,295	15.0
Chase	727	762	– 4.5	645	12.8
Chautauqua	1,339	1,310	2.2	996	34.4
Cherokee	3,845	4,065	– 5.4	3,850	– 0.1
Cheyenne	1,278	1,544	– 17.2	1,291	– 1.0
Clark	560	658	– 14.8	494	13.5
Clay	2,816	3,073	– 8.4	2,805	0.4
Cloud	4,188	4,741	– 11.7	4,084	2.6
Coffey	2,121	2,315	– 8.4	1,990	6.6
Comanche	620	660	– 6.1	491	26.3
Cowley	13,039	14,911	– 12.6	11,402	14.4
Crawford	12,121	12,865	– 5.8	11,523	5.2
Decatur	1,623	1,773	– 8.5	1,493	8.7
Dickinson	5,413	5,867	– 7.8	5,433	– 0.4
Doniphan	1,880	1,945	– 3.3	2,096	– 10.3
Douglas	22,446	22,951	– 2.2	20,738	8.2
Edwards	1,081	1,102	– 1.9	1,017	6.3
Elk	538	660	– 18.5	571	– 5.7
Ellis	13,294	14,627	– 9.1	11,979	11.0
Ellsworth	1,949	2,098	– 7.1	1,922	1.4
Finney	14,534	17,235	– 15.7	14,054	3.4
Ford	13,724	15,013	– 8.6	13,773	– 0.4
Franklin	5,815	6,869	– 15.3	6,340	– 8.3
Geary	7,816	9,312	– 16.1	7,438	5.1
Gove	1,320	1,454	– 9.3	1,134	16.3
Graham	1,642	1,978	– 17.0	1,529	7.4
Grant	3,550	3,942	– 10.0	3,443	3.1
Gray	1,851	1,604	15.4	1,617	14.5
Greeley	607	754	– 19.5	476	27.4
Greenwood	3,012	3,194	– 5.7	2,641	14.0
Hamilton	664	892	– 25.5	780	– 14.8
Harper	2,772	3,409	– 18.7	2,794	– 0.8
Harvey	8,456	9,775	– 13.5	8,581	– 1.5
Haskell	1,172	1,239	– 5.5	999	17.3
Hodgeman	369	412	– 10.4	385	– 4.1
Jackson	1,909	2,270	– 15.9	2,064	– 7.5
Jefferson	3,400	2,738	24.2	2,984	13.9
Jewell	1,064	972	9.4	748	42.2
Johnson	116,642	128,441	– 9.2	111,181	4.9
Kearny	707	680	4.0	657	7.6
Kingman	2,446	2,854	– 14.3	2,232	9.5
Kiowa	1,223	1,613	– 24.2	1,256	– 2.7
Labette	7,448	7,770	– 4.1	7,287	2.2
Lane	823	898	– 8.4	806	2.1
Leavenworth	11,587	11,909	– 2.7	10,581	9.5
Lincoln	1,156	1,182	– 2.2	1,026	12.6

* Monthly Average for Prior Three Months

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY (Continued)
(thousands of dollars)

County	Sales * Nov. 1980	Sales * Aug. 1980	Change From Aug. 1980 (%)	Sales * Nov. 1979	Change From Nov. 1979 (%)
Linn	1,609	1,653	– 2.6	1,753	– 8.2
Logan	1,700	1,877	– 9.4	1,772	– 4.1
Lyon	12,664	14,251	– 11.1	11,901	6.4
McPherson	9,551	10,424	– 8.4	9,744	– 2.0
Marion	3,309	4,049	– 18.3	3,403	– 2.7
Marshall	3,378	4,012	– 15.8	3,454	– 2.2
Meade	1,376	1,466	– 6.1	1,339	2.8
Miami	5,803	6,117	– 5.1	5,637	2.9
Mitchell	3,479	3,936	– 11.6	3,215	8.2
Montgomery	15,849	16,328	– 2.9	14,419	9.9
Morris	1,304	1,643	– 20.6	1,258	3.7
Morton	1,300	1,717	– 24.3	1,106	17.5
Nemaha	3,152	3,259	– 3.3	3,019	4.4
Neosho	8,352	9,125	– 8.5	7,159	16.7
Ness	2,047	2,338	– 12.4	1,564	30.9
Norton	2,304	2,479	– 7.0	2,104	9.5
Osage	2,796	3,339	– 16.3	3,097	– 9.7
Osborne	1,860	1,856	0.2	1,656	12.3
Ottawa	1,301	1,258	3.4	1,103	17.9
Pawnee	2,796	3,377	– 17.2	2,980	– 6.2
Phillips	2,443	2,518	– 3.0	2,403	1.7
Pottawatomie	4,553	4,825	– 5.6	3,909	16.5
Pratt	4,799	5,943	– 19.3	4,532	5.9
Rawlins	1,093	1,047	4.4	899	21.6
Reno	26,824	30,773	– 12.8	27,417	– 2.2
Republic	2,169	2,345	– 7.5	2,363	– 8.2
Rice	3,199	3,768	– 15.1	2,881	11.0
Riley	13,870	14,936	– 7.1	14,208	– 2.4
Rooks	4,399	4,803	– 8.4	3,178	38.4
Rush	1,508	1,465	3.0	1,320	14.3
Russell	5,570	6,319	– 11.9	4,754	17.2
Saline	25,562	28,317	– 9.7	25,026	2.1
Scott	3,488	2,862	21.9	2,279	53.1
Sedgwick	187,568	202,179	– 7.2	177,683	5.6
Seward	11,264	13,021	– 13.5	10,690	5.4
Shawnee	65,567	73,069	– 10.3	68,357	– 4.1
Sheridan	1,259	1,340	– 6.1	1,077	16.9
Sherman	4,234	4,366	– 3.0	3,897	8.6
Smith	1,807	1,971	– 8.3	1,687	7.1
Stafford	1,578	2,210	– 28.6	1,455	8.5
Stanton	849	792	7.2	605	40.4
Stevens	1,466	1,568	– 6.5	1,514	– 3.2
Sumner	7,059	7,079	– 0.3	5,592	26.2
Thomas	4,462	4,894	– 8.8	4,378	1.9
Trego	1,482	1,621	– 8.6	1,328	11.6
Wabaunsee	933	1,025	– 9.0	1,008	– 7.5
Wallace	678	659	2.9	595	14.0
Washington	1,979	2,066	– 4.2	1,817	8.9
Wichita	1,732	1,815	– 4.6	881	96.5
Wilson	2,432	2,719	– 10.5	2,632	– 7.6
Woodson	899	1,003	– 10.3	1,065	– 15.5
Wyandotte	60,350	60,359	– 0.0	56,968	5.9

Source: Tax Research Section
Kansas Department of Revenue

TABLE VI
PRICES RECEIVED BY KANSAS FARMERS

(dollars)

Items	Dec. 1980	Nov. 1980	% change	Dec. 1979	% change	Annual Avg. 1979
Prices Received by Farmers						
Field Crops						
Wheat (bu.)	4.01	4.26	– 5.9	3.79	5.8	3.49
Corn (bu.)	3.37	3.41	– 1.2	2.50	34.8	2.48
Sorghum (cwt.)	5.36	5.54	– 3.2	3.78	41.8	3.75
Hay (ton)	72.00	71.50	0.7	48.00	50.0	50.17
Soybeans (bu.)	7.04	8.31	– 8.1	5.94	28.6	6.72
Livestock & Products						
Beef Cattle (cwt.)	61.10	61.80	– 1.1	67.40	– 9.3	67.82
Calves (cwt.)	71.20	73.20	– 2.7	86.50	– 17.7	87.14
Hogs (cwt.)	42.80	44.80	– 4.5	37.70	13.5	41.83
Lambs (cwt.)	53.70	61.00	– 12.0	64.50	– 16.7	66.18
Sheep (cwt.)	20.00	16.40	22.0	21.30	– 6.1	21.15
Milk (cwt.)	14.20	14.30	– 0.7	12.80	10.9	12.24
Prices Paid by Farmers						
Soybean Meal (cwt.)	15.50	15.50	0.0	12.50	24.0	12.33
Bran (cwt.)	9.40	8.60	9.3	7.90	19.0	7.55
Beef Conc. (cwt.)	12.00	11.50	4.3	10.00	20.0	9.61
16% Dairy Feed (ton)	200.00	194.00	3.1	163.00	22.7	154.50
Hog Conc. (cwt.)	17.00	17.00	0.0	14.00	21.4	13.83
Laying Feed (ton)	235.00	235.00	0.0	189.00	24.3	180.75

Source: Kansas Crop and Livestock Reporting Service
Kansas State Board of Agriculture

U.S. Department of Agriculture

TABLE VII
COMMERCIAL BANKING ACTIVITY FOR ALL BANKS

(millions of dollars)

	Dec. 1980	Nov. 1980	% change	Dec. 1979	% change
Kansas—Statewide					
Loans	8,358	8,187	2.1	8,190	2.1
Demand Deposits	4,315	4,808	– 10.3	4,716	– 8.5
Time & Saving Deposits	8,370	9,390	– 10.9	8,598	– 2.7
Loan-to-Deposit Ratio	65.9%	57.7%		61.5%	
Kansas City (Wyandotte)					
Loans	527	512	2.9	562	– 6.2
Demand Deposits	233	291	– 19.9	295	– 21.0
Time & Saving Deposits	475	589	– 19.4	603	– 21.2
Loan-to-Deposit Ratio	74.4%	58.2%		62.6%	
Topeka (Shawnee)					
Loans	479	487	– 1.6	505	– 5.1
Demand Deposits	297	323	– 8.0	372	– 20.2
Time & Saving Deposits	391	450	– 13.1	519	– 24.7
Loan-to-Deposit Ratio	69.6%	63.0%		56.7%	
Wichita (Sedgwick)					
Loans	1,266	1,234	2.6	1,208	4.8
Demand Deposits	1,008	1,012	– 0.4	936	7.7
Time & Saving Deposits	1,184	1,246	– 5.0	1,122	5.5
Loan-to-Deposit Ratio	57.8%	54.7%		58.7%	

Source: Research Department
Federal Reserve Bank of Kansas City

Institute for Economic and Business Research

TABLE VII-I
COMMERCIAL BANKING ACTIVITY FOR MEMBER BANKS

(millions of dollars)

	Dec. 1980	Nov. 1980	% change	Dec. 1979	% change
Kansas—Statewide					
Loans	3,668	3,593	2.1	3,601	1.9
Demand Deposits	1,929	2,149	– 10.2	2,121	– 9.1
Time & Saving Deposits	3,543	3,971	– 10.8	3,639	– 2.6
Loan-to-Deposit Ratio	67.0%	58.7%		62.5%	
Kansas City (Wyandotte)					
Loans	206	200	3.0	220	– 6.4
Demand Deposits	92	115	– 20.0	114	– 19.3
Time & Saving Deposits	167	207	– 19.3	213	– 21.6
Loan-to-Deposit Ratio	79.5%	62.1%		67.3%	
Topeka (Shawnee)					
Loans	253	257	– 1.6	266	– 4.9
Demand Deposits	170	185	– 8.1	218	– 22.0
Time & Saving Deposits	200	230	– 13.0	267	– 25.1
Loan-to-Deposit Ratio	63.4%	61.9%		54.8%	
Wichita (Sedgwick)					
Loans	717	699	2.6	686	4.5
Demand Deposits	550	552	– 0.4	516	6.6
Time & Saving Deposits	574	604	– 5.0	544	5.5
Loan-to-Deposit Ratio	63.8%	60.5%		64.7%	

Source: Research Department
Federal Reserve Bank of Kansas City

Institute For Economic and Business Research

TABLE VIII
SAVINGS AND LOAN ACTIVITY

(thousands of dollars)

	Dec. 1980	Nov. 1980	% change	Dec. 1979	% change
Net New Savings	17,400	29,900	– 41.8	– 13,800	– 26.1
Mortgage Loans Made	79,100	82,400	– 4.0	51,400	53.9

Source: Federal Home Loan Bank of Topeka

TABLE IX
CONSUMER PRICES

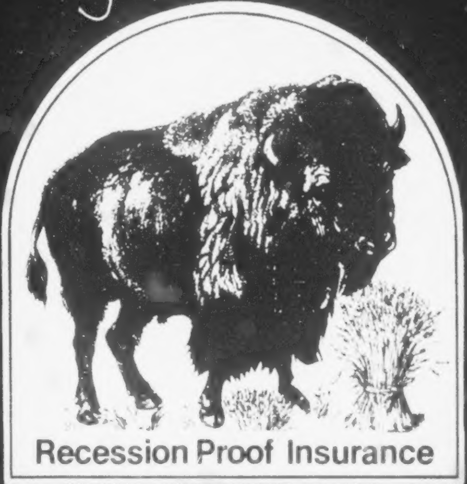
Kansas City

Consumer Price Index, December, 1980

	All Urban Consumers (CPI-U)			Wage Earners and Clerical Workers (CPI-W)		
		Percent change from			Percent change from	
	INDEX 1967 = 100	2 months ago	1 year ago	INDEX 1967 = 100	2 months ago	1 year ago
ALL ITEMS	259.1	1.7	10.9	257.2	1.7	10.7
Food and Beverages	264.4	1.7	10.1	260.8	1.5	11.2
Food	271.4	1.8	10.4	267.8	1.6	11.4
Food at home	265.9	1.3	11.6	263.5	1.3	12.8
Cereals & bakery products	273.4	0.1	13.0	264.9	0.0	12.0
Meats, poultry, fish & eggs	249.5	2.1	9.4	250.0	1.3	9.6
Dairy products	243.4	2.2	8.8	244.2	2.3	9.8
Fruits and vegetables	263.5	-1.5	11.0	254.0	-0.4	13.9
Other foods at home	312.4	1.7	15.0	311.6	2.2	17.5
Food away from home	289.5	3.0	8.0	283.0	2.2	8.6
Alcoholic beverages	196.9	1.0	5.8	194.1	0.3	7.9
Housing	276.0	1.7	10.2	272.6	1.7	9.7
Shelter	306.9	2.2	9.8	303.2	2.3	9.0
Rent (residential)	164.6	-0.1	7.2	164.6	-0.1	7.2
Other rental costs	233.1	-5.8	1.4	225.0	-6.6	1.0
Homeownership	358.6	2.7	10.3	353.5	2.7	9.3
Fuel & other utilities	257.1	0.9	12.5	259.3	0.9	12.7
Fuels	339.4	1.4	16.2	341.7	1.5	16.3
Fuel oil, coal, & bottled gas*	176.4	5.3	19.8	185.5	4.5	20.4
Gas (piped) & electricity	336.8	1.2	16.0	336.6	1.2	15.9
Household furnishings & oper.	205.7	-0.1	9.9	201.8	0.1	10.1
Apparel & Upkeep	192.5	0.1	9.7	182.0	-1.0	5.0
Men's & boys' apparel	197.5	-3.0	2.1	202.4	-0.6	4.3
Women's & girls' apparel	177.1	-0.5	16.5	145.5	-3.5	0.3
Footwear	204.2	5.1	4.2	209.5	0.0	4.8
Transportation	254.4	2.2	12.9	255.5	2.1	12.6
Private transportation	256.2	2.3	12.7	257.6	2.1	12.4
Public transportation	217.3	1.5	19.7	209.8	1.4	17.3
Medical Care	270.7	0.6	10.4	274.9	0.6	11.3
Medical care services	293.3	0.3	10.8	298.1	0.4	11.6
Entertainment	204.0	2.8	15.8	211.4	3.0	15.3
Other Goods & Services	228.4	1.7	9.8	232.9	1.5	10.7
ALL ITEMS (1957-59 = 100)	307.6			305.3		

* June 1978 = 100

March 1981
Vol. 4 No. 7


Recession Proof Insurance

KANSAS BUSINESS REVIEW

In this issue:

Is Kansas Recession Proof ?
John Cita

The Kansas Economy

Economic Indicators

Institute for Economic and Business Research, The University of Kansas

BEST AVAILABLE COPY

KANSAS BUSINESS REVIEW

(USPS 395-310)

March 1981
Vol. 4, No. 7

In This Issue:

In This Issue:	Page
Is Kansas Recession Proof? John Cita	1
The Kansas Economy	11
Economic Indicators	13

Advisory Board of the Institute for Economic and Business Research—Professor Robert Cobb, Executive Vice Chancellor; Mr. James H. DeCoursey, Jr., Secretary, Kansas Department of Economic Development; Acting Dean Jack Gaumnitz, School of Business; Vice Chancellor Frances Horowitz; Mr. Carl C. Nordstrom, Executive Vice-President, Kansas Association for Commerce and Industry; Professor Anthony Redwood, Director, Institute for Economic and Business Research; Professor Thomas J. Weiss, Chairman, Department of Economics.

Editorial Staff—Professor Anthony Redwood, Director; Michael Valk, Editor; Janet E. Majure, Associate Editor; Robert H. Glass, John Cita, Robin Hunn, and Sally Kleiner, Research Assistants.

Kansas Business Review is published ten months a year (September-June) by the Institute for Economic and Business Research, 319 Raymond Nichols Hall, The University of Kansas, Lawrence, Kansas 66045. It is designed by the Division of Publications, Office of University Relations.

Manuscripts for publication in *Kansas Business Review* are solicited from readers and should be sent to the editors for consideration.

Opinions expressed in the articles are those of the author(s) and do not necessarily reflect those of The University of Kansas.

Is Kansas Recession Proof ?

Recession Proof Insurance

John Cita is a research assistant at the Institute for Economic and Business Research. Mr. Cita received his M.A. in Economics at the University of Kansas and is working toward a Ph.D.

Introduction

The current national recession—the second major cycle this decade—has prompted much concern over recent trends in our nation's economic performance.[1] With newspaper headlines regularly reporting the declining health of the national economy as depicted by key economic indicators, one is led to wonder whether this information is characteristic of the local economy as well. Clearly, developments at the national and international level influence regional or state economies. For example, developments such as competitive world markets and energy-price increases have been particularly harmful to states like Michigan and Ohio, whose economies currently are quite depressed.[2] At the same time, however, other states, such as Texas and Wyoming, appear to be prospering despite the national recession.

What has been the situation for Kansas? Is it a myth or fact that the Kansas economy is "recession proof"? This article will assess the extent to which the Kansas economy is influenced by fluctuations in the national economy, Kansas' degree of sensitivity as compared with other states', and the reasons some state economies are more sensitive to (more influenced by) the national business cycle than others.[3] Subsequently, factors affecting the relationship between Kansas and the national economy will be identified and analyzed.

These issues are significant because they highlight the specific features of various economic regions and, therefore, indicate a region's particular needs concerning economic policy, planning, and development. National economic policy can help some regional economies while hurting others, just as a state's economic policy may help some city economies but hurt others in that state.

The first section of the article will address the question, is Kansas recession proof? Key terms and methodologies will be discussed. With that background, various studies can be discussed that indicate Kansas is, indeed, relatively recession proof. The question of how recession proof is Kansas also will be answered by comparing Kansas to other states and regions. Sources or locations of sensitivity within Kansas then will be identified.

The second section will consider why Kansas is relatively insulated from the national business cycle. In this section, the study will consider the types, size, age, and composition of industry in the state and the influence these factors have on the Kansas business cycle.

Section three will discuss trends over the past two decades within the state and offer a brief prognosis. The last section will summarize the study's major points.

Is Kansas Recession Proof?

The meaning of "recession proof" and "recession prone" depends on a number of considerations, including the methodology used in answering the more general question of the extent to which a national recession influences a particular state economy. In any case, "recession proof" and "recession prone" are relative terms, and their use largely represents a comparative level of sensitivity to the national business cycle.

The simplest and most effective approach to determining the degree to which a state is influenced by the national economy involves the calculation of a "measure of sensitivity"[4] for both the national economy and the state economy. Qualitatively, the national measure serves as the basis or benchmark for comparing the state measure. Quantitatively, the larger the measure of sensitivity, the greater the influence of a recession on the specific economic unit. If the state's measure of sensitivity is greater or smaller than the nation's measure, the state is identified as being recession prone or recession proof respectively. If the measures are equal, the state's business cycle simply mirrors the nation's and is thus neither recession proof or prone, although in an absolute sense it still experiences economic fluctuations. To be absolutely recession proof is impossible (though North and South Dakota come close). Thus, "recession proof" describes a state economy or economic unit that is less influenced by or less sensitive to a recession than is the national economy. "Recession prone" describes the opposite. Hence, the terms recession prone and proof are relative in context with some national measure being the standard of comparison.

The method employed in this article describes the overall influence of a recession on an economic system. The methodology is described in greater detail below.[5] This "measure of sensitivity" captures the net effect of a recession. How an economy behaves during a recession plus the way it recovers from a recession contribute to its overall sensitivity, and thus its labeling. The terms recession proof or prone do not refer strictly to the recessionary phase of the business but to the entire business cycle. Because of the measure of sensitivity used, what is captured (loosely) is the amount of fluctuation of income growth over the whole business cycle. Given a particular state business cycle, the greater the fluctuation in income over the cycle, the higher will be the measure of sensitivity and the more likely it is for such a state to be identified, comparatively, as recession prone.

The cycle-swing approach is the methodology used to arrive at this indicator of net sensitivity. This "cyclical swing"[6] is a measure that allows for the comparison of the growth rates of nonfarm income in any aggregate economy (nation, state, county, city) to those of the smaller economic units or systems (states, counties, cities, industries) that make up the larger whole.[7] With such comparisons, one can assess the sensitivity of economic activity in smaller economic units to the larger unit's business cycle: for example, a state's economic sensitivity to the nation's business cycle. The cyclical swing is the difference between the mean quarterly percent change, at an annual rate, in nonfarm income over the expansion(s) and the recession(s). The cyclical swing measures changes in income over the whole business cycle, e.g., if for some complete business cycle, the average growth rate in nonfarm income over the expansionary phase was 6.4 and it was 4.2 over the recessionary phase, the difference, 2.2, is the cyclical swing. The greater the fluctuation over the business cycle the higher the cyclical swing. Comparisons between states' cyclical swings and the nation's allows for ranking the states according to their cyclical swing and identifying those states that are recession proof and recession prone.

Cyclical swing does not give a picture of an economy's general health; it simply indicates the amount of fluctuation in the nonfarm income's growth rate over time. (The time span is defined for periods of a complete business cycle at the national level.)[8] The cyclical swing measure compares economic activity in the recessionary and expansionary phases. If the cyclical swing measure is combined with comparisons between economic activity growth rates at a given point in time during one of the two business phases or over the entire cycle, some idea of the health of an economy develops. By considering both types of comparisons, growth rates and cyclical swing, one can infer the general soundness of an economic system and possibly gain some insight into whether it is better to be recession prone or recession proof.

Studies show Kansas to be relatively recession proof but, on average, less so now than in the past.

FINDINGS

The Bureau of Economic Analysis (BEA) has conducted several cyclical swing studies examining different time periods. Those most related to this article are the study covering the period 1948 4th quarter to 1970 4th quarter (hereafter shown 1948:4-1970:4)[9] and their current study, yet unpublished, which covers the time span from 1960:1 to 1980:1.[10] Those studies contain the cyclical swing measures for the Kansas and U.S. economies for every complete business cycle in the nation since 1948:4.

A summary of the studies is presented in Table A. Kansas' cyclical swing is shown in column 2. For example, the growth rate in nonfarm income during the contractionary phase of the 1957:3-1960:1 business cycle was 2.7 percent. In the expansionary phase of that cycle, the comparable figure was 7.9 percent, the difference is, of course, the cyclical swing of 5.2 percent. Column 3 provides a comparison between Kansas' and the nation's cyclical swing through the use of an index figure. The index figure is the quotient of the state cyclical swing divided by the nation's cyclical swing. Hence, an index figure greater than 100 implies a state has greater cyclical sensitivity than the nation (is recession prone), and an index figure less than 100 implies the opposite (is recession proof). Thus, one can see that Kansas was relatively recession proof for all the business cycles except during the 1969:3-1973:4 cycle when its index rose to 142. But the last complete cycle appears to have had a much smaller effect on Kansas, as evi-

Table A

Business Cycle/Time Period	Kansas Cyclical Swing	Index U.S. Avg. equals 100%	Index to the End of the Period
1948:4-1953:2	7.2	63	63
1953:2-1957:3	5.1	73	67.3
1957:3-1960:1	5.2	66	67.4
1960:1-1969:3	3.9	76	71.2
1969:3-1973:4	5.4	142	83.2
1973:4-1980:1	1.2	30	72.4

Table B
Plains Region

Rank	State	Cyclical Swing	Index*
31	Missouri	4.2	69
33	Kansas	3.9	67
36	Minnesota	3.7	64
39	Oklahoma	3.3	57
42	Iowa	2.6	45
47	Nebraska	1.3	22
49	S. Dakota	-.3	-
50	N. Dakota	-.8	-

*For the time period 1948:4-1970:4. United States equal 100.

Table 1
STATES COMPARED: 1948:4-1970:4

Rank	State	Nonfarm Income: Ave. Quarterly Percent Change, at Annual Rates		Cyclical Swing	Annual Growth Rate, Percent	Index	Classification
		In Expansion	In Contraction				
	United States	7.6	1.9	5.8	6.5	100	
1	Michigan	8.4	-2.9	11.3	6.2	195	Highly Recession Prone States
2	Indiana	8.4	-2.7	11.1	6.3	191	
3	Ohio	7.7	-1.6	9.3	5.9	160	
4	South Carolina	9.3	.2	9.1	7.5	155	
5	Alabama	8.4	.9	7.5	6.9	129	Moderately Recession Prone States
6	Alaska	9.7	2.4	7.3	8.3	126	
7	Connecticut	8.2	.9	7.2	6.8	124	
8	Pennsylvania	6.7	-.4	7.1	5.4	122	
9	Illinois	7.0	-.1	7.1	5.6	122	
10	West Virginia	5.8	-.6	6.4	4.5	110	
11	Georgia	9.1	2.7	6.3	7.9	109	
12	Nevada	11.3	5.2	6.1	10.1	105	
13	Wisconsin	7.4	1.4	6.0	6.3	103	
14	Kentucky	7.8	1.9	5.9	6.6	102	
15	Vermont	7.9	1.9	5.9	6.7	102	
16	North Carolina	8.7	3.0	5.7	7.6	98	Moderately Recession Proof States
17	Maryland	8.7	3.0	5.7	7.6	98	
18	Virginia	8.6	3.0	5.6	7.5	97	
19	Delaware	7.9	2.7	5.2	6.9	90	
20	Florida	10.9	5.9	5.0	9.9	86	
21	Oregon	7.1	2.1	4.9	6.1	84	
22	Texas	8.2	3.4	4.7	7.2	81	
23	New Jersey	7.5	2.8	4.7	6.6	81	
24	California	8.6	4.0	4.6	7.7	79	
25	Tennessee	8.0	3.4	4.6	7.1	79	
26	Washington	7.3	2.8	4.5	6.4	78	
27	Louisiana	7.8	3.3	4.5	6.9	78	
28	Massachusetts	6.7	2.4	4.4	5.9	76	
29	New York	6.4	2.1	4.3	5.6	74	
30	Rhode Island	6.3	2.1	4.2	5.5	72	
31	Missouri	6.8	2.6	4.2	6.0	72	
32	Arizona	10.7	6.6	4.0	9.9	69	
33	Kansas	7.3	3.3	3.9	6.5	67	
34	New Hampshire	7.4	3.5	3.9	6.6	67	
35	Mississippi	8.1	4.4	3.7	7.4	64	Highly Recession Proof States
36	Minnesota	7.5	3.8	3.7	6.8	64	
37	Maine	6.2	2.5	3.6	5.5	62	
38	Arkansas	7.8	4.3	3.4	7.1	59	
39	Oklahoma	7.1	3.8	3.3	6.5	57	
40	New Mexico	8.4	5.2	3.2	7.8	55	
41	Colorado	8.4	5.4	3.1	7.8	53	
42	Iowa	6.6	4.0	2.6	6.1	45	
43	Hawaii	8.3	5.8	2.5	7.8	43	
44	Utah	7.6	5.1	2.5	7.1	43	
45	Wyoming	5.7	3.6	2.1	5.3	36	
46	Idaho	6.6	5.2	1.4	6.4	31	
47	Nebraska	6.7	5.4	1.3	6.5	22	
48	Montana	5.8	5.3	.5	5.7	9	
49	South Dakota	6.1	6.4	-.3	6.1	—	
50	North Dakota	6.3	7.1	-.8	6.4	—	

Source: U.S. Dept. of Commerce, Bureau of Economic Analysis

* 1948:4-1970:4, average quarterly change, at annual rate

denced by its index of 30, than the previous five cycles.

Column 4 is a moving average of index measures. This measure gives an indication of whether Kansas is becoming more or less sensitive over time. The studies show Kansas to be relatively recession proof but, on average, less so now than in the past. This is seen by the figures in column four which indicate a narrowing in difference in the Kansas national cyclical swing measures since 1948:4.

Table 2
Regions Compared: 1948:4-1970:4

Region	Cyclical Swing	Index	Classification
Great Lakes	9.0	155	Most Vulnerable
Southeast	5.7	98	
Mideast	5.1	88	
New England	5.1	88	Average Vulnerability
Far West	4.6	79	
Southwest	4.3	74	
Plains	3.2	55	
Rocky Mountain	2.2.	38	Least Vulnerable

HOW INSULATED IS KANSAS—A COMPARISON

The data in Table A provides only a comparison between the Kansas and U.S. economies. But how does Kansas compare to the other states? In a 1973 article, the BEA determined the cyclical swing (see Table 1, column 3) for each state and ranked them accordingly. The time period examined was 1948:4 to 1970:3. With such a ranking we can see how Kansas relates to other states and thus get an idea of how recession proof the Kansas economy is using a comparison among other states. Kansas ranked 33rd and is classified as one of the moderately recession proof states.[11]

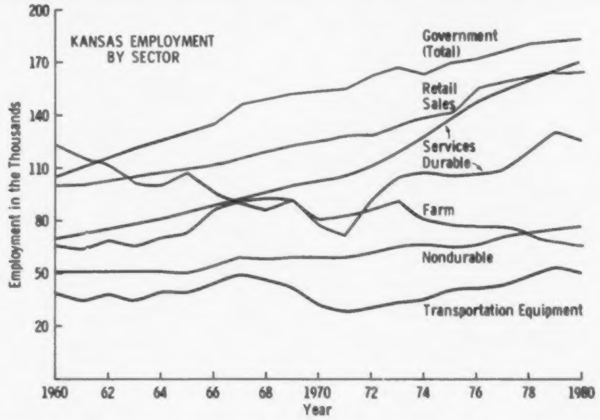
Table 2 contains data comparing regions. The Plains region (which includes Missouri, Kansas, Iowa, Oklahoma, Nebraska, and North and South Dakota) is quite insensitive. Of the states in that region, Missouri is most sensitive followed by Kansas (see Table B). North and South Dakota are actually countercyclical.[12]

Also listed in Table 1 are three growth rates for each state. One is the growth rate for the entire period (column 4). The other two are for the expansionary (column 1) and recessionary phases (column 2) within that period, respectively. It has been suggested that rapid growth and higher cyclical sensitivity go together. Economist George Borts found this to not be the case necessarily.[13] For example, some of the recession prone states (West Virginia, Illinois, Pennsylvania) also had relatively low growth rate (less than the national average) while some of the recession proof states (Colorado, Arkansas, Utah) had high growth rates. Borts did find, however, that "the combination of high growth rates and wide fluctuation and low growth rates and mild fluctuations are found more frequently than their opposites." Hence, growth rate information provides only an indication of an economy's stability.

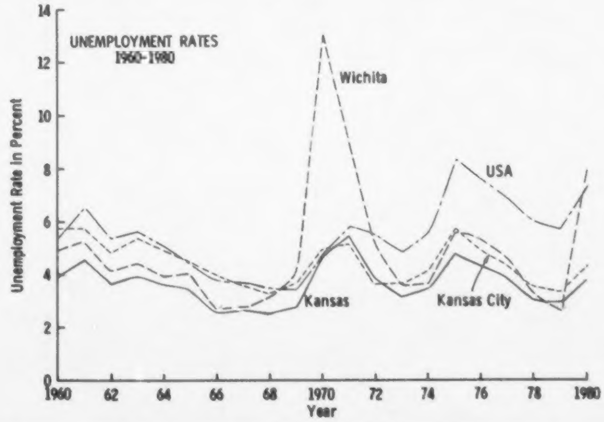
The average growth rate of nonfarm income in Kansas during expansions was 7.1 percent and 3.3 percent during contractions. Its expansion growth rate ranked 32nd, its contraction rate ranked 23rd, and its growth rate over the entire cycle ranked 28th. Kansas' annual growth rate from 1948:4 to 1970:4 was identical to the nation's annual growth rate over the same period. The growth rate in Kansas, therefore, has been equal to the average growth rate for a state economy. However, Kansas' relative position drops during expansions to where its growth rate is approximately 4.0 percent below the average. During contractions, Kansas' relative position improved, and the nonfarm income growth rate was 74 percent above the average.

The recession prone states tended to have extreme contractions and about average expansions, while the recession proof states had very mild contractions and expansions which were somewhat less than the national average. Kansas certainly fits this description. Kansas, compared only with the recession proof states, is about average in its sensitivity to the national business cycle. Compared with all states, Kansas is one of the more insulated states.

1



2



LOCATIONS OF SENSITIVITY IN KANSAS

The analysis at the state versus local level is identical in method to the nation versus state level analysis. Unfortunately, quarterly income data for smaller economic units is not readily available. However, to get an indication of the sources of economic instability within the state a number of different approaches are possible.

Graph 1 plots the unemployment rates for several cities in Kansas. Clearly, Wichita has experienced wider fluctuations than most other parts of the state. Changes in annual income levels mirror the employment trend, and, again, Wichita shows the greatest fluctuation. This fact comes as no surprise. The Wichita economy has experienced greater swings in its business cycle than other localities in the state.

Assuming that the variance of the unemployment rate for an economy provides some insight into the stability of that economy, one can say the following: The Wichita economy is the least stable; the Kansas City and Topeka economies are slightly more stable than the state as a whole, and the smaller city economies tend to be the most stable. Hence, the Wichita economy introduces instability into the state economy while the smaller city economies tend to counter that influence. (see Table 3).

Table 3
Unemployment Rates: 1960-1980

Location	Average	Variance
USA	5.5	1.66
Kansas	3.7	.69
Wichita	4.6	2.57
Kansas City	4.5	.68
Topeka	3.9	.66
Lawrence	3.1	.85
Riley Co.	2.9	.19
Reno Co.	3.6	.62
Saline Co.	3.2	.48

Why Is Kansas Insensitive?

Having established a criterion for labeling a state recession proof and having found Kansas to fit that description, the question becomes one of identifying those features that contribute to an economy's relative stability. Kansas is relatively recession proof—insensitive to the national business cycle—because of the relatively small size of its manufacturing sector and because of the types of manufacturing within that sector. The cities are relatively sensitive because they are the industrial centers. The industrial centers, as a composite, are responsible for a state's degree of sensitivity. With this backdrop, it is possible to explain further why Kansas is relatively insulated from the ups and downs of the national economy.

TRANSMISSION—EXPORTS

How does a national recession arrive at the state level? Economist Rutledge Vining classified the forces affecting business conditions into four groups.[14] The first type of force "tends to act in an approximately uniform manner upon all parts of the nation and upon all segments of the economy." Examples of these forces are changes in individual spending, saving, and investment behavior. The second type of force depended on what Vining called "the character of the economy," or industrial composition. Different regions, depending on their industrial composition, will feel differently the effects of a nationwide change in economic behavior. Imagine, as an example, the interest rate being a national phenomenon. Changes in it will influence some regions more than others, depending on whether they contain interest-sensitive industries.

Closely related to industrial composition is the type of stimulus that initiates economic changes. For example, a national war effort provides a different type of stimulus than does a change in savings patterns.

The third type of force originates locally and is transmitted to other regions. An oft-cited example is the influence that retooling by Detroit manufacturers has on the neighboring economies. A fourth type of force influencing the business cycle is the kind that originate in and, for the most part, remain in a particular region.

In a critique of the Vining article, Frank Kidner claimed that the first two types of force were much more important because significant economic events are less isolated with respect to geographical origin or effect.[15] Thus, developments at the national level are generally more important than local developments and, consequently, do more to induce a business cycle. As Bort has said: " . . . the (business) cycle spreads among the states through the impact of changes in national demand upon each state's industry mix." Then, the business "cycle spreads within each state through the impact of the contraction in the state's key industries on demand for the products of its other industries."[16]

A state's key industries are generally the larger ones which are usually the state's key exporting industries as well. Vining speaks of "passive" and "carrier" industries.[17] The passive are located near or in their consumption market and take no part in the "mechanism of interregional transmission of economic shock." These industries respond to changes rather than start changes in, say, consumption behavior. The carrier industries are dependent upon external markets, primarily on the consumer income outside the region in which they are produced. Through the export industries, economic impulses are transmitted from region to region.

Little information is available on Kansas' exports of goods out of the state. Some data are available on what Kansas exports out of the United States, but virtually none exists on exports from the state that stay within the U.S. Vining estimates that 30 percent of a state's employees are engaged in producing that state's total export goods. The exact figure for Kansas is unknown, but 30 percent or less probably would be in the correct neighborhood for Kansas as well. The U.S. Department of Commerce estimates that in Kansas "one of every ten manufacturing jobs" depends on the *international* export of manufactured goods.[18]

If international and intranational exports are closely related, as far as the types of goods exported, then the following information will provide a rough idea of the total export picture in Kansas. The Department of Commerce found wheat and flour, transportation equipment, nonelectrical machinery, and manufactured food products to be the major international exports from Kansas. Transportation equipment accounted for the single largest share of manufacturing exports. Wheat and flour accounted for well over half the value of agricultural goods exported. Wichita is the leading export area in the state with the vast majority of its export being transportation equipment. Kansas City is second, exporting mostly food and kindred products and electrical and nonelectrical machinery. Topeka also has considerable export employment.

Kansas ranked as the fifth largest agricultural and 31st manufacturing international exporter in the nation. Assuming these exports are representative of Kansas' intranational exports, it is fairly safe to say that the channels by which a national recession is transmitted to the Kansas economy are the durable and nondurable goods or, taken together, the manufacturing sector. This is true for other states almost without exception. For Kansas, most of the transmission is likely through the nondurable goods sector, which (as discussed below) is quite stable. The reason is that most nondurable goods are necessities—food and clothing.

TYPES OF INDUSTRY—THEIR SENSITIVITY

Several questions come to mind. How sensitive, in themselves, are the durable and nondurable goods sectors compared with the other industrial sectors? What are the relative sizes of each sector? Does Kansas have proportionally more or less of the more sensitive industries? And, then, what makes an industry sensitive?

The BEA determined postwar cyclical swing in nonfarm payrolls by industry (Table 4). The goods-producing industries (the first four in the ranking) along with transportation, public utilities, and communication had the largest cyclical swings compared with the service-producing industries (the last five in the ranking). The percent of the total nonfarm payroll also is listed for each industry in Table 4. From the initial distribution in 1948 to the final in 1979, most goods-producing sectors paid a smaller share of the total nonfarm payroll. Most service-producing industries increased their share, particularly the services and state and local government sectors. The BEA refers to these shares as "weights." The greater the weight of a given industry, the more likely its cycle will influence the general business cycle. This influence combined with the degree of sensitivity (cyclical swing) for a sector reflects the complete effect a specific sector has on the total all-industry swing.

Table 4
Cyclical Swing in Nonfarm Payrolls by Industry 1948:4-1979:4, United States

Rank	Industry	Cyclical Swing	Percent of Total Nonfarm Payrolls 1948	1979	Cyclical Swing in Total Nonfarm Payrolls Excluding the Specified Industry
	Total Nonfarm Payrolls	6.8	100	100	—
1	Durables Manufacturing	17.6	20.2	17.7	4.0
2	Construction	8.0	5.4	6.0	6.7
3	Nondurables Manufacturing	7.4	15.9	9.6	6.7
4	Mining	4.9	2.6	1.6	6.8
5	Transportation, Public Utilities, and Communication	4.9	10.4	7.8	6.9
6	Federal Government	4.6	6.6	6.2	6.9
7	Wholesale and Retail Trade	3.2	18.3	17.1	7.5
8	Services	2.6	9.8	15.8	7.3
9	Finance, Insurance, and Real Estate	2.3	3.9	5.5	6.9
10	State and Local Government	-.4	6.7	12.4	7.5

The last column of Table 4 lists the all-industry swing when a specific sector is excluded, e.g., the all-industry cyclical swing would be 4 if the durable goods sector were left out of the analysis and 7.5 if the trade sector were omitted. By comparing data in this list to the all-industry cyclical swing (6.8), it is possible to determine more precisely the combined effect on the total industrial swing of both the weight and swing of a given industry. For example, the difference between the cyclical swing excluding durables (4.0) and all the industrial cyclical swing (6.8) was 2.8 percentage points. This difference indicates that durable manufacturing substantially intensified the all-industry swing. Construction and nondurable manufacturing both intensified the all-industry cyclical swing, but only slightly. Mining maintained it, neither making it worse or better. The cyclical swing for mining is less than the all-industry swing, but its weight is so small that it had no dampening effect on the all-industry cyclical swing.

Wholesale and retail trade along with state and local government had the largest dampening effects; services was next. Though the location and age of a state's, say, durable goods sector may make it more or less sensitive than that sector is on the average (and these factors are discussed below), it is safe to say that the data in Table 4, which is national, is representative of the state situation as well.

SIZE

Kansas has a relatively small durable and nondurable goods sector. Approximately 12 percent of the employed work force in the state is employed in the durable goods sector and roughly 6.0 percent in the nondurable goods (Table 5). Both of these figures are relatively small. Kansas ranks about 26th and 29th nationally for its proportion of total employment in the durable and nondurable goods sectors, respectively. Kansas has about 20 percent of its employed work force in the trade sector. This proportion ranks about 10th nationally. Nearly 15.5 percent of the Kansas work force is employed by state and local government; this ranks about 16th. Hence, Kansas has relatively smaller proportions of its work force in the more sensitive industries and relatively more in the less sensitive industries, which for the most part tend to dampen the all- industry cyclical swing. The key export industries are generally concentrated in the durable and nondurable sectors.

The principal reasons for Kansas being recession proof are its relatively small manufacturing sector (and, thus, total export sector) combined with its having a relatively larger proportion of service employment (government and trade) which is usually more stable. Of the durable goods industries in the state, there are more of the very sensitive types (e.g., transportation, electrical machinery) than of the insensitive (e.g., stone, clay, and glass). But of the nondurable goods industries, Kansas has more of the insensitive types (e.g., food and kindred products) than the sensitive (e.g., chemicals).

Graph 2 gives an idea of the relative size of each industrial sector in the state and the stability within each over the last two decades. The durable goods sector appears the most unstable relative to the others. The aircraft and part components of durable goods also was graphed. Most of the variability for durable goods has come from the aircraft industry. The agricultural sector is the only sector to have fewer employees at the end of 20 years. That sector also has been quite unstable. It has been assumed that there is little connection between the cycle in the farm sector and the general business cycle. A study exploring any such relationship might be useful, however, especially if the scope included the relation between institutional arrangements faced by the farmer and how these relationships change with the national business cycle.

Wichita employs over 42 percent of the state's durable goods employees, Kansas City nearly 19 percent, Reno County about 6.0 percent, and Topeka 3.0 percent (Table 6). Wichita employs over 93 percent of the aircraft and parts workers. Table 6 shows where most of the more and less sensitive types of employment are located. Note the balance between the more and less sensitive sectors for Kansas City, Topeka, and Lawrence. For Wichita, the ratio of more sensitive to less approaches two. Wichita is the most sensitive city in Kansas because of its industrial composition and because most of the state's sensitive type of employment is there. The people of Wichita are the most likely, and usually the first, to feel the effects of a national recession (due to its high concentration of export related employment in the sensitive industries). Their situation will explain to a large extent why Kansas is influenced by the national business cycle. The other sectors within the state will dampen or possibly even counter the situation in Wichita, enabling the state, as a whole, to remain recession proof.

Table 5
Kansas Employment
Percent of Employed Civilian Labor Force—1979

Farm	5.6				
Nonfarm	94.4				
Manufacturing		17.84			
Durable			11.85		
Stone-Glass-Clay				.89	
Primary Metals				.47	
Fabricated Metals				1.30	
Machinery				3.37	
Transportation Equip.				4.64	
Aircraft and Parts					3.78
Other				1.18	
Nondurable			6.09		
Food and Kindred				2.16	
Meat Products					.86
Dairy					.27
Grainmeal					.34
Apparel				.33	
Printing and Publishing				1.45	
Chemicals				.78	
Petro. and Coal				.39	
Other				.98	
Mining			1.25		
Oil and Gas Extraction				.99	
Construction			4.60		
Trade			20.47		
Wholesale				5.57	
Retail				14.90	
Trans-Comm.-Public Utilities			5.93		
Railroad				1.37	
Trucking and Warehousing				1.81	
Elect-Gas-Sanitary				.75	
Finances			4.15		
Services			14.93		
Government			16.49		
Local				2.57	
Federal				13.92	

Table 6
Percent of State Employment by Sector in Cities

Sector		Wichita	KC	Topeka	Lawrence
Durable Goods	More Sensitive	42	18	3	1
Nondurable Goods		17	23	14	6
Trade	Less Sensitive	20	24	9	3
Government		13	14	12	6

WHY IS THE MANUFACTURING SECTOR SENSITIVE?

Following is a brief discussion of factors that contribute to some sectors being more sensitive than others. The three most sensitive industries are durable goods, construction, and nondurable goods. The three industries are highly interrelated. Within the durable goods sector, transportation equipment—more specifically, the automobile industry—is quite sensitive. Because the auto industry is the largest consumer of metals, the primary and fabricated metals industries suffer a downturn when auto sales decline. The nondurable goods sector, because of the rubber and plastic industry, also will feel the changes in auto production. Residential construction is the most sensitive type of construction. When housing starts to fall, the lumber and wood, furniture and fixtures, and stone-clay-glass industries —all of which are durable goods industries—will slow down as well. The paint and textile goods industries—both nondurable—are also influenced by house construction.

The factors that make the auto and housing industries sensitive are well known. Consumption decisions on autos and houses are generally "postponable." Consumption of each usually involves financing; thus each is sensitive to interest rate movements. Once a recession starts (for whatever reason), consumers who may be uncertain of secure employment are generally more wary about making major purchases, even if interest rates are low. The durable goods construction industries produce big dollar items where demand is sensitive to such variable factors as interest rate and consumer outlook. Consequently, they tend to be the most sensitive industries and usually the first to be hit by a recession. They are, indeed, the recession prone industries.

Kansas has one of the more stable construction sectors (35 and 46 states had more sensitive construction sectors between 1973-1979 and 1948-1973, respectively). The auto industry in Kansas is relegated, for the most part, to the final assembly of the auto. Most auto-related industries are located outside Kansas. Thus, a slowing in car sales has a very small ripple effect in Kansas compared with the Great Lakes' state economies.

AGE AND COMPETITIVE ADVANTAGE

Another factor that influences cyclical swing is the age of a state's industrial structure, and closely related to the age factor is a factor called competitive advantage. The older factories within an industry are generally the first to be shut down or to cut back during a recession because they are usually the least productive. Therefore, regions having older plants or older industries will be relatively more cyclically sensitive. The capital stock in the Plains region is estimated to be near average age. The regions with the newest capital stocks (on average) are the Far West, Southwest, and Southeast regions. Having the oldest capital stocks are the Great Lakes and New England regions. The Plains region (including Kansas) fits somewhere in between.[19]

The current recession is too young to fully analyze its effect. The two most recent recessions point out how international developments can make the Kansas economy more or less vulnerable to the domestic condition.

Competitive advantage concerns types of goods produced in a state and how competitive those goods are in the marketplace. For example, states producing small autos have a competitive advantage over states producing large cars. Without question, states with a competitive advantage tend to be less cyclically sensitive.

Small private aircraft travel has gained in popularity as high gasoline prices have made it more competitive with auto travel. In this case, Kansas has a competitive advantage over states heavily involved in auto production because Kansas now produces a more competitive form of transportation. Yet, as a whole, Kansas has not attracted the new, highly competitive industries (computers and semiconductors, for example).[20]

POLICY IMPLICATIONS

In the short run, economic policy might be advisable that is designed to attract the competitive new industries to Kansas particularly to those areas containing older and, thus, more sensitive industries. Placing the competitive industries in such areas probably would do more to reduce the cyclical sensitivity of Kansas than placing them in areas where no industrialization currently exists, e.g., small rural towns. In other words, a development policy that replaces older industries will increase competitive advantage while reducing problems associated with cyclical sensitivity caused by older industries.

Yet, in the long term, all good things must come to an end. Industries rarely will maintain a competitive edge for more than a few decades before they become the competitively disadvantaged, so the search for those industries with a competitive edge begins anew. For instance, a new auto assembly plant for fuel efficient cars has its benefits, but its advantages differ from those of a comparable plant producing the latest computer technology.

The point is that not all new development (in manufacturing) is equal as far as cyclical sensitivity goes. Those industries with a competitive advantage will be the least sensitive. Although it is difficult to determine, a fair description of the Kansas economy, based on its industrial mix would be that its industrial structure has neither a competitive advantage or disadvantage. However, this situation may change as the transportation industry continues to change substantially from year to year. The possible development of mass transit systems or alternative forms of transportation would certainly initiate a significant change. Hence Kansas, with a fairly high proportion of its manufacturing sector producing transportation goods, may find itself with an industrial output structure that is less competitive in the world marketplace if such new developments are produced in other states.

Trends/Prognosis

As indicated earlier, the long-run trend shows Kansas becoming slightly less recession proof compared with the rest of the nation. This development is seen by the cyclical swing index being larger, on average, than 30 years ago. The increase is, however, slight.

The 1969-1970 recession had a great influence on the Kansas economy, in particular on Wichita's economy. This effect, of course, was due to the buildup and disarmament in Wichita's Vietnam War-related industries. Kansas withstood the 1973-1975 recession very favorably. The reasons are due mostly to foreign developments. Aircraft sales to foreign interests provided a strong stimulus to the manufacturing sector. The large grain deals in the early seventies bolstered the agricultural sector. Prices were high and excess reserves were depleted.

The current recession is too young to fully analyze its effect. The two most recent recessions point out how international developments can make the Kansas economy more or less vulnerable to the domestic condition.

That is, a single international development may initially affect the U.S. economy differently than the Kansas economy. And after such a development, the Kansas economy will remain fairly insulated from the domestic condition whether the national condition is good or bad.

Though Kansas is fairly well insulated from national conditions, it is possibly more vulnerable than the nation as a whole to certain international developments. For example, the escalation of the Vietnam War stimulated the U.S. economy. The build-up ended with the 1969-1970 recession, which was mild nationally in comparison with other recessions. Yet, Kansas experienced a considerably stronger expansion and contraction as a result of the war than the rest of the nation. The 1973-1975 recession on the national level was much worse than in Kansas. During that recession, strong international sales of aircraft and agriculture products bolstered the Kansas economy. These so called international "developments" (the war; the large grain and aircraft sales) have contributed both to Kansas' sensitivity (1969-1970) and insensitivity (1973-1975).

In these cases, it is apparent that the national and Kansas economies are influenced differently by common events.

Although Kansas is quite insulated from the national business cycle, a great deal of this insulation may depend on international occurrences and their relative influences on the national and Kansas economies. Assuming that the influence from international developments will be minimal in the future, it is safe to say that Kansas will remain quite recession proof. But failing this assumption and depending on the timing of such international developments with the national business cycle, it is difficult to predict what will occur in Kansas. Since the proportion of Kansas output shipped abroad is relatively high (Kansas ranks ninth nationally in the proportion of state output that goes overseas), the influence could be significant in either direction; that is, either more or less sensitive.

Most of a state's exports goods (both intra- and international) are produced in the manufacturing sector. As a proportion of total employment, Kansas has one of the smaller manufacturing sectors—ranking about 33rd nationally. This rank might indicate that Kansas is one of the smaller total exporters and, thus, one of the more insulated states, which it is. But because Kansas exports a significant amount of its produce overseas, it follows that the proportion of Kansas workers in the intranational export industries must be small. Hence, this small intranational export sector and large international export sector explains why Kansas is recession proof (insulated from the national business cycle) and, at the same time, possibly more sensitive to international developments. This is a possible explanation for Kansas' erratic economic performances in the two 1970s recessions, both departures from the 1948-1969 trend. That trend showed Kansas to be consistently recession proof during all the post war recessions, with a cyclical swing index averaging near 71 (see Table A). The cyclical swing indexes for the last two recessions were significantly different from the previous indexes.

The Kansas economy is one of the more stable state economies in the nation.

Ignoring the recent international trade developments referred to above, proportional employment figures show that Kansas has a slightly smaller proportion of employment in the highly sensitive manufacturing sector (down about 4.0 percent) and a larger proportion in the less sensitive service (trade and local government) sector (up about 9.0 percent) than 20 years ago. This trend has been going on in all states. Relative to other states, Kansas' employment proportions are about the same. Even though employment is higher in the more stable sectors, it is unlikely Kansas will be more recession proof. Our comparative advantage, in this respect, has not changed.

As far as the future goes, there is little to go on because international situations can dramatically influence Kansas' economy. Again, Kansas economy appears quite susceptible to changes in international trade conditions in that nearly 16 percent of its output is shipped overseas. Most of the export goods are agricultural which, generally, have a steady demand pattern less influenced by the business cycle, but more influenced by weather conditions around the world. Excluding international trade considerations, it is likely Kansas will remain relatively recession proof.

Economic policy designed to attract the sensitive manufacturing industries would change that. A drastic change, however, is not likely. Attracting the manufacturing industries that have a competitive advantage already established might even result in Kansas becoming less sensitive, at least in the short run. Yet, in the long run, such a policy might increase Kansas' sensitivity if the attempt to attract the new competitive industries is not continued over time.

Conclusions

The Kansas economy is one of the more stable state economies in the nation. It is quite insulated from the national business cycle, thus making it relatively recession proof. The effect of a national recession will be felt in Kansas, particularly in Wichita, but, on average, Kansas will be less affected than most other states.

The most important reason for Kansas being recession proof is its relatively small manufacuring sector. Some states have more than 40 percent of their work force in the manufacturing production sector; Kansas has only about 20 percent. States with manufacturing sectors larger (or smaller) than Kansas are usually more (or less) sensitive to the national business cycle than Kansas. The manufacuring sector for the entire nation is larger proportionally than for Kansas, and, therefore, Kansas' economy on average is likely to be more stable than the national economy.

Yet within the state there are cities that may or may not be recession proof. A good deal depends on the nature of the recession (i.e., what caused it). Wichita is the most sensitive urban area in the state. Kansas City and Topeka are much less sensitive and are comparable to each other. The identification of sensitive regions within the state and those industries peculiar to those regions helps to highlight areas where extra help may be needed during a recession.

Goods produced in the state and sold out of state are the key link between the Kansas economy and the national economy. Knowing the proportion of employment that is export-related within each type of industry would give a better picture of how strong the link is between that industry and external economies. For example, Wichita produces a high proportion of durable goods, and it is likely almost all of that production is exported, whereas it is likely a smaller proportion of Kansas City's durable goods production is exported. Again, more export information, particularly regarding domestic exports, would help identify the degree of relation between the city or state and the rest of the nation. Foreign export information is available, but the factors influencing foreign exports are more difficult to gauge than those affecting the domestic exports.

Footnotes

---

1. A recession is defined as that period of time when the growth rate of Gross National Product (GNP) has declined for at least two consecutive quarters. References to a recession are commonly statements about the national economy. However, the term is descriptive of disaggregated economies as well.

2. A depression is a recession in which the unemployment rate is above 10 percent. The unemployment for Michigan stood at 12 percent for the month of December 1980.

3. In general, a business cycle is a trend that captures both a decline and an increase in economic activity within some time period. "Economists conceptually divide business cycles into two parts. The contraction phase refers to the downturn in economic activity [which becomes a recession if it lasts for two consecutive quarters] beginning at a 'peak' and continuing until a 'trough.' The recovery or expansionary phase begins at the trough and persists until the next peak." Paul E. Polzin, *Montana Quarterly;* Winter 1977.

4. This is the method used by the Bureau of Economic Analysis (BEA). See *Survey of Current Business*, H.F. and R.B., April 1973, pp. 22-23.

5. See also, "Technical Note" in *Survey of Current Business*, H.F. and R.B., May 1980, p. 27.

6. The BEA determines a measure of "cyclical swing." Cyclical swing is defined as "the difference between 1) the percentage-point difference between the mean quarterly percent change in the expansion(s) and the mean quarterly percent change in the whole cycle(s) and 2) the percentage-point difference between the mean quarterly percent change in the recession(s) and the mean quarterly percent change in the whole cycle." The swing is "equivalent to the differences between two mean deviations from trend."

7. "Farm income is excluded from the analysis because cyclical changes in farm income have been masked by changes in the weather and other factors not related to the business cycle" (BEA). The Institute for Economic and Business Research determined the cyclical for Kansas for both nonfarm and farm income from 1969:3 to 1979:4. The cyclical swing for nonfarm income was 2.5, and the cyclical swing for farm income was 28.9. The cyclical swing for the total income was 3.6. Thus, the farm income tends to exacerbate the state business cycle but in a generally non-systematic way.

8. With the national business cycle, the contractionary phase is defined by the periods when the U.S. economy is officially in a recession. One quarter declines are contained within the recovery phase of the business cycle.

9. See Survey of Current Business, H.F. and R.B., April 1973, pp. 22-27.

10. Results from this study can be found in the *Economic Review*, Federal Reserve Bank of Kansas City, pp. 11-19.

11. The classifications used in Table One are defined as follows. Of the recession prone states, those with an index measure greater than the average index measure of that group are classified as highly recession prone; those states with index measures below are moderately recession prone. The classifications for the recession proof states are determined in the same way except the average index of the recession proof states is the basis for demarcation.

12. The Dakota states have had higher rates of nonfarm income growth during periods of national recession than in periods of national recovery. At least this was the case between 1948:4 and 1970:4.

13. See George Borts, "Regional Cycles of Manufacturing Employment in the United States, 1914-1953," *American Statistical Association Journal*, March 1960, pp. 151-170.

14. See Rutledge Vining, "The Region as an Economic Entity and Certain Variations to be Observed in the Study of Systems in Regions," *American Economic Review*, May 1949.

15. Same as above.

16. Borts, 1958, pp. 151-153; 170-176.

17. Vining, 1949, pp. 256-257.

18. See *Kansas Exports*, U.S. Dept. of Commerce, Nov. 1978.

19. The capital stock in Kansas is most likely newer than the national average as evidenced by it being ranked 14th nationally in the growth in value added in the manufacturing sector from 1970 to 1979.

20. Other factors affecting relative sensitivity include proximity to supply and sales markets. The closer an industry is to its input and output markets, the more likely it will be less sensitive than a similar industry located far from one or both of its markets.

Regions differ in energy prices, wages, interest rates. Those states with higher costs suffer an additional structural drag to regional employment and, therefore, suffer a greater cyclical swing. Factors closely related to this are strength of unions, right to work legislation, interest rate ceilings, local taxes, and local regulation (pollution control, for example). These secondary factors are of minor importance, especially after industrial mix is determined. It is possible that industrial mix is determined by the above factors, but by themselves they yield less information on a state's relative sensitivity than does industrial composition alone.

The Kansas Economy

General Business

Ambiguity characterized the performance of the U.S. economy in January. Several factors showed declines that were not severe enough to predict a recession. Other indexes increased but at rates below what one might expect during a healthy economic expansion. As Commerce Department Economist Felix Tamm was quoted as saying in reference to January's index of leading economic indicators, the results were "definitely inconclusive."

That index declined 0.4 percent in January after December's 0.9 percent drop. These declines certainly didn't promise an economic boom, but they weren't big enough to foretell a decline. Some of the index details reflected the ambiguity, with the average work week and the number employed rising as the layoff rate increased.

These dual woes of high inflation and economic stagnation brought a resurrection of the word "stagflation" to the business press. This year's carryover of 1980's record high interest rates have added to the confusion and uncertainty caused by the other economic factors.

A look at various economic components reveals the ambiguity of the situation. On the negative side in January:

—Durable goods orders fell an adjusted 2.2 percent to $80.88 billion in the first monthly decline since August.

—The Conference Board's index of help-wanted advertising fell two points from December.

—New factory orders fell 0.3 percent during January to a seasonally adjusted $161.63 billion after a 2.1 percent rise in December to $162.16 billion. The decline was the first since last May.

—Auto sales fell. (In mid-February they were down 23 percent to an estimated 167,487 units.)

None of these measures signaled disaster, and none promised a bright economic future.

Similarly, figures on the positive side were of little encouragement:

—The U.S. Consumer Price Index rose only 0.8 percent from December for an annual rate increase of only 10.0 percent, well below some of last year's increases.

—The size of the civilian labor force rose 476,000 to 105.54 million.

—The factory work week continued its rise and was up 0.3 hours from December.

—The unemployment rate held steady at 7.4 percent (the same as in December.)

—Sales of new single-family dwellings rose 0.2 percent in January to an annual rate of 514,000.

Predictions that might be called from the plethora of apparently conflicting information depend in large part on the relative weight an analyst prefers to give an individual indicator.

Although the economic data from January is just recently available, events that have transpired since then should help to fill out the forecasted economic picture. For example, the prime rate has continued to fall, auto sales improved under the influence of massive rebate programs, and the U.S. Senate approved President Reagan's budget cuts, which also require the House's approval. Unfortunately, these items leave the future as uncertain as previously. Extrapolating from current and past information, particularly when it isn't even definitive about the present, is risky. One might look, however, at possible consequences of January's economic movement. For example, the continued decline of the prime interest rate could bring interest rates down on consumer loans and mortgage loans. Such declines could help boost investment in consumer durables and housing, two manufacturing sectors hit hard by interest-rate jumps. Such increases in investment can carry throughout the economy as increased consumer investment prompts increased production prompting increased employment. Whether such a scenario takes place relies to a large extent on the expectations of consumers as well as of institutional investors. If investors remain cautious, unwilling to commit themselves to long-term borrowing contracts in hopes of further interest-rate declines or lower expected rates of inflation, a continual sluggish economy is likely.

The Kansas economy, as the national economy, has been sluggish. The average work week and average weekly earnings, which had been increasing steadily since July, fell in January. The average work week was down to 40.8 hours from December's 42.0 hours, a drop of 2.9 percent. Average weekly earnings also fell, from $321.72 in December to $314.16 in January, a drop of 2.3 percent. Both of these figures, however, remained strong in comparison with the average for 1980 and for the preceeding six months. Exhibiting its own apparently conflictual economic data for January, Kansas' employment-insurance claims situation improved, with a 2.2 percent decline in initial claims from 13,944 in December to 13,642. New incorporations, meanwhile, took a big decline, with in-state for profit incorporations down 52.1 percent to 311, which is close to the average for 1980. Out-of-state incorporations dipped 6.9 percent to 121 for the month and remained far ahead of the preceding six-month and 1980 averages (Table I).

Employment

In line with the decline of the average work week was the decline in total employment by place of work which fell 1.8 percent to 940,800 in January from December's 956,800 level for a second consecutive monthly decline. This total compares with 947,700 a year ago (Table II).

For the month, employment declined or held steady in nearly every industrial sector. Again showing the biggest decline was contract construction, down 7.2 percent from December and 13.1 percent from January 1980, despite this past winter's unusually mild weather. As previously noted, construction is an industry hit hard when interest rates rise, and the January employment levels no doubt reflect the record high rates late in 1980. It also should be noted that 1979 and 1980 were very good years on the whole for contract construction in Kansas, thus producing a relatively high basis for comparison with 1981's performance. With the prime on the decline and with mortgage interest rates in the state tied to the prime, it is reasonable to expect mortgage lending and contract construction to gain speed.

Also showing a sizeable employment decline was retail trade. The 4.5 percent drop in the unadjusted figures is typical in retailing which reduces its sales force after the holiday season. This is demonstrated by the much smaller 0.8 percent decline from year ago levels.

Although no sector showed a gain greater than 3 percent from December, good news could be found in the employment figures, in that employment held steady in some industries, notably transportation equipment and aircraft and part manufacturing, that have a sizeable impact on Kansas employment.

Data for employment by residence shows another decline in the total size of the civilian labor force from 1.209 million to 1.184 million. And while the total number employed declined 2.2 percent for the month, the number employed fell 14.6 percent. The result was that the statewide unemployment rate rose from 4.0 percent in December to 4.1 in January.

Looking at the individual geographic areas, the Lyon County-Emporia area and the Wichita SMSA showed the greatest increase in unemployed workers, with increases of 6.5 percent and 6.3 percent respectively. The Reno County-Hutchinson area again had the highest umemployment rate of the state at 6.2 percent, up from December's 5.7 percent level. The Barton County-Great Bend area again took honors as having the lowest umemployment rate of the state. But Barton County's rate, like rates across the state, increased for January to 2.4 percent from December's 1.9 percent level.

Retail Sales

Six classifications of retail sales tax collections showed gains for the three months ended in January as compared with year-ago levels, and six classifications fell (Table IV). Showing the biggest increases were tax collections on miscellaneous goods, up 69.6 percent, and on public utilities, up 31.7 percent. The rise in public utility tax collections is at least in part a result of rate increases for gas, electricity and telephone services. The greatest decline, down 9.1 percent from a year ago, was in farm and garden products.

Sales taxes taken on a county by county basis (Table V) showed declines in most counties, with Greeley County's 30.9 percent drop the largest. Of the counties that showed increases, Edwards County led with a 25.6 percent rise.

All of the four major centers of retail trade experienced declines in retail sales when compared with the previous year: Johnson County was down 0.5 percent; Sedgwick County, 1.3 percent; Shawnee County, 4.2 percent; and Wyandotte County, 1.6 percent.

Farm Prices

Nationally, the U.S. Agriculture Department's index of prices received by farmers was 264 percent of the January-December 1967 average. A modest decline had been registered by mid-February as a result of lower prices for soybeans, wheat, oranges, cotton and cattle. The index of prices paid by farmers was 299 in January and up to 300 by mid-February, mostly due to increased fuel prices. Both February indexes were 10 percent higher than in 1980.

Kansas farmers, however, tended to improve their position in January (Table VI). Prices received for all field crops were substantially above year-ago levels, although wheat showed a relatively small gain of 8.9 percent. Declines from December for sorghum, hay and soybeans may have simply reflected some settling down in the market which experienced large increases over the past several months as a result of last summer's drought, sales to China and droughts elsewhere. These boosts were partly offset by hikes in prices paid by farmers. All the products followed by the *Kansas Business Review* demanded prices more than 17 percent higher than a year ago. As compared with December, however, the farmers did fairly well, as no increases were registered in any other of the listed products. Prices held steady on beef concentrate and laying feed, and declined on soybean meal, bran, dairy feed and hog concentrate.

Livestock farmers, feeling the brunt of the increased prices demanded, did not receive price increases like those recorded for crops. As compared with January 1980, prices were up 16.0 percent and 11.7 percent respectively for hogs and milk. Showing double-figure price declines, however, were calves, lamb and sheep.

Financial Activity

The deposit situation for banks in the state improved markedly in January after December's decline in deposits (Table VII). For all Kansas banks (members and non-members of the Federal Reserve System), time and savings deposits were up 18.5 percent from December and 12.2 percent from January 1980. One possible explanation for this increase is that interest-paying checking accounts, which became available in January, are classified by the Fed as time and savings deposits. Coupled with a slight decline in loans from December, the statewide loan to deposit ratio consequently declined from 65.8 percent to 59.2 percent. The figure also was down from the year-ago 62.9 percent level.

Member banks were bigger gainers of deposits, with time and savings deposits up 21.6 percent from December (12.2 percent from January 1980) and with a small increase in loan activity, up 0.1 percent from December and 1.2 percent from January 1980. Member banks' loan-to-deposit ratio fell to 58.6 percent.

Kansas City, Kansas, banks witnessed the greatest increases in time and savings deposits as compared with December, as the levels rose 28.4 percent across all banks and 34.1 percent for member banks. These increases led the Kansas City, Kansas banks to make up for 1980's sizeable withdrawals. Wichita banks showed the greatest rise in loan activity from year-ago levels, up 3.0 percent for all banks and 2.9 percent for member banks.

Mortgage loan activity at savings and loan associations jumped 28.8 percent as compared with January 1980 (Table VIII). While January 1981's $56.7 million level was 28.3 percent below December's surprisingly high level, the activity would seem to indicate that the savings and loan associations may be recovering from the buffeting they took in last year's erratic interest rates. With different loan instruments being made available to these institutions, the savings and loans will be able to diversify their loan portfolios so as to be less vulnerable to short-term economic movements.

TABLE I
GENERAL BUSINESS INDICATORS

	Jan. 1981	Dec. 1980	% change	Avg. Prior 6 mos.	Annual Avg. 1980
Manufacturing					
Average Work Week (hrs.)	40.80	42.00	– 2.9	40.80	40.70
Average Weekly Earnings (dollars)	314.16	321.72	– 2.3	307.25	240.99
Initial Claims for Unemployment Insurance	13,642.00	13,944.00	– 2.2	12,022.00	8,082.00
New Incorporations					
In-State For Profit	311.00	649.00	– 52.1	433.00	336.00
Out-of-State For Profit	121.00	130.00	– 6.9	107.00	88.00

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

Kansas Secretary of State

TABLE II
NON-FARM WAGE AND SALARY EMPLOYMENT BY PLACE OF WORK

(thousands)

Industry	Jan. 1981	Dec. 1980	% change	Jan. 1980	% change
All Industries	940.0	956.8	– 1.8	947.7	– 0.8
Manufacturing	185.3	185.9	– 0.3	199.7	– 7.2
Durable Goods	119.2	119.6	– 0.3	133.2	– 10.5
Stone, Clay, Glass	7.3	7.5	– 2.7	8.9	– 18.0
Primary Metals	3.8	3.7	2.7	4.2	– 9.5
Fabricated Metal Products	11.8	12.1	– 2.5	13.4	– 11.9
Machinery (incl. elec.)	33.7	33.7	0.0	38.4	– 12.2
Transportation Equipment	50.5	50.5	0.0	56.1	– 10.0
Aircraft & Parts	43.2	43.2	0.0	45.7	– 5.5
Other Durable Goods	12.1	12.1	0.0	12.2	– 0.8
Nondurable Goods	66.1	66.3	– 0.3	66.5	– 0.6
Food & Kindred Products	22.9	23.2	– 1.3	22.7	0.9
Meat Products	8.6	8.8	– 2.3	9.3	– 7.5
Apparel	3.2	3.3	– 3.0	3.5	– 8.6
Printing & Publishing	16.3	16.2	0.6	17.1	– 4.7
Chemicals	8.7	8.7	0.0	8.8	– 1.1
Petroleum & Coal	5.1	5.0	2.0	4.4	15.9
Other Nondurable	9.9	9.9	0.0	10.0	– 1.0

TABLE II
NON-FARM WAGE AND SALARY EMPLOYMENT BY PLACE OF WORK (Continued)
(thousands)

Mining	15.8	15.6	1.3	14.2	11.3
Oil & Gas Extraction	14.0	13.7	2.2	12.6	11.1
Contract Construction	39.9	43.0	– 7.2	45.9	– 13.1
Trans., Comm., Elec., Gas	63.5	64.0	– 0.8	65.1	– 2.5
Wholesale Trade	65.1	65.4	– 0.5	64.4	1.1
Retail Trade	161.4	169.0	– 4.5	162.7	– 0.8
Finance, Insurance, Real Estate	47.1	47.3	– 0.4	46.1	2.2
Services	172.0	173.6	– 0.9	167.0	3.0
Federal Government	26.2	26.6	– 1.5	26.2	0.0
State & Local Government	163.7	166.4	– 1.6	156.4	4.7

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS

Area	Jan. 1981	Dec. 1980	% change	Jan. 1980	% change
Kansas—Statewide					
Civilian Labor Force	1,184,700	1,209,500	– 2.1	1,192,000	– 0.6
Employed	1,135,700	1,161,500	– 2.2	1,147,900	– 1.1
Farm	46,800	50,400	– 7.1	47,900	– 2.3
Non-Farm	1,091,500	1,111,100	– 1.8	1,100,000	– 0.8
Unemployed	49,000	48,000	– 14.6	44,100	– 7.0
Rate	4.1%	4.0%		3.7%	
Lawrence SMSA					
Civilian Labor Force	34,700	35,400	– 2.0	34,600	0.3
Employed	33,200	33,900	– 2.1	33,200	0.0
Farm	600	600	0.0	600	0.0
Non-Farm	32,600	33,300	– 2.1	32,600	0.0
Unemployed	1,500	1,500	0.0	1,400	7.1
Rate	4.3%	4.2%		4.0%	
Kansas Portion of Kansas City SMSA					
Civilian Labor Force	266,700	269,400	– 1.0	265,400	0.5
Employed	254,100	257,300	– 1.2	255,100	– 0.4
Farm	1,000	1,100	– 9.1	1,100	– 9.1
Non-Farm	253,100	256,200	– 1.2	254,000	– 0.4
Unemployed	12,600	12,100	4.1	10,300	22.3
Rate	4.7%	4.5%		3.9%	
Topeka SMSA					
Civilian Labor Force	93,400	94,300	– 1.0	93,800	– 0.4
Employed	88,300	89,400	– 1.2	89,500	– 1.3
Farm	1,400	1,500	– 6.7	1,400	0.0
Non-Farm	86,900	87,900	– 1.1	88,100	– 1.4
Unemployed	5,100	4,900	4.1	4,300	18.6
Rate	5.5%	5.2%		4.6%	
Wichita SMSA					
Civilian Labor Force	223,100	225,400	– 1.0	221,600	0.7
Employed	214,700	217,500	– 1.3	215,100	– 0.2
Farm	1,900	2,000	– 5.0	1,900	0.0
Non-Farm	212,800	215,500	– 1.3	213,200	– 0.2
Unemployed	8,400	7,900	6.3	6,500	29.2
Rate	3.8%	3.5%		2.9%	

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS (Continued)

Area	Jan. 1981	Dec. 1980	% change	Jan. 1980	% change
Barton Co.—Great Bend Area					
Civilian Labor Force	17,750	18,050	– 1.7	17,475	1.6
Employed	17,325	17,700	– 2.1	16,950	2.2
Farm	675	750	– 10.0	700	– 3.6
Non-Farm	16,650	16,950	– 1.8	16,250	2.5
Unemployed	425	350	21.4	525	– 19.0
Rate	2.4%	1.9%		3.0%	
Crawford Co.—Pittsburg Area					
Civilian Labor Force	16,450	17,050	– 3.5	16,325	0.8
Employed	15,500	16,150	– 4.0	15,575	– 0.5
Farm	625	675	– 7.4	650	– 3.8
Non-Farm	14,875	15,475	– 3.9	14,925	– 0.3
Unemployed	950	900	5.6	750	26.7
Rate	5.8%	5.3%		4.6%	
Lyon Co.—Emporia Area					
Civilian Labor Force	17,400	17,825	– 2.4	17,475	– 0.4
Employed	16,575	17,050	– 2.8	16,850	– 1.6
Farm	625	650	– 3.8	625	0.0
Non-Farm	15,950	16,400	– 2.7	16,625	– 4.1
Unemployed	825	775	6.5	625	32.0
Rate	4.7%	4.3%		3.6%	
Montgomery Co.—Coffeyville Area					
Civilian Labor Force	20,800	21,050	– 1.2	21,175	– 1.8
Employed	19,975	20,250	– 1.4	20,450	– 2.3
Farm	450	475	– 5.3	450	0.0
Non-Farm	19,525	19,775	– 1.3	20,000	– 2.4
Unemployed	825	800	3.1	725	13.8
Rate	4.0%	3.8%		3.4%	
Reno Co.—Hutchinson Area					
Civilian Labor Force	30,275	30,975	– 2.3	31,675	– 4.4
Employed	28,400	29,200	– 2.7	30,550	– 7.0
Farm	1,000	1,050	– 4.8	1,000	0.0
Non-Farm	27,400	28,150	– 2.7	29,550	– 7.3
Unemployed	1,875	1,775	5.6	1,125	66.7
Rate	6.2%	5.7%		3.6%	
Riley Co.—Manhattan Area					
Civilian Labor Force	20,675	21,575	– 4.2	20,900	– 1.1
Employed	19,725	20,650	– 4.5	19,975	– 1.3
Farm	800	850	– 5.9	800	0.0
Non-Farm	18,925	19,800	– 4.4	19,175	– 1.3
Unemployed	950	925	2.7	925	2.7
Rate	4.6%	4.3%		4.4%	
Saline Co.—Salina Area					
Civilian Labor Force	26,225	26,850	– 2.3	26,375	– 0.6
Employed	24,975	25,625	– 2.5	25,275	– 1.2
Farm	525	550	– 4.5	525	0.0
Non-Farm	24,450	25,075	– 2.5	24,750	– 1.2
Unemployed	1,250	1,225	2.0	1,100	13.6
Rate	4.8%	4.6%		4.2%	

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE IV
RETAIL SALES SUBJECT TO SALES TAX BY BUSINESS CLASSIFICATION

(millions of dollars)

Business Classification	Jan. * 1981	Oct.* 1980	% change	Jan.* 1980	% change
Apparel	34.0	27.4	24.1	32.0	6.3
Automotive	191.4	206.0	− 7.1	199.1	− 3.9
Food	233.3	264.0	− 11.6	245.3	− 4.9
Furniture	44.7	43.4	3.0	45.2	− 1.1
General Merchandise	167.4	146.8	14.0	151.9	10.2
Lumber and Building Materials	89.4	94.1	− 5.0	98.0	− 8.8
Professional and Personal Service	43.3	47.4	− 8.6	43.1	0.5
Public Utilities	57.3	44.9	27.6	43.5	31.7
Unclassified	98.8	108.3	− 8.8	100.5	− 1.7
Farm and Garden Products	1.0	0.9	11.1	1.1	− 9.1
Manufacturing and Trading	87.8	88.1	− 0.3	81.7	7.5
Miscellaneous	3.9	3.3	18.2	2.3	69.6
Total	1053.0	1075.0	− 2.0	1044.1	0.9

* Monthly Average for Prior Three Months

Source: Tax Research Section
Kansas Department of Revenue

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY

(thousands of dollars)

County	Sales * Jan. 1981	Sales * Oct. 1980	Change From Oct. 1980 (%)	Sales * Jan. 1980	Change From Jan. 1980 (%)
Allen	5,048	5,165	− 2.2	5,341	− 5.4
Anderson	2,049	2,261	− 9.4	2,581	− 20.6
Atchison	4,745	4,464	6.3	5,064	− 6.3
Barber	2,583	2,709	− 4.7	2,646	− 2.4
Barton	29,931	29,665	0.9	24,653	21.4
Bourbon	5,241	5,402	− 3.0	5,749	− 8.8
Brown	3,309	3,456	− 4.3	3,710	− 10.8
Butler	16,240	19,206	− 15.4	16,160	0.5
Chase	895	798	12.2	824	8.6
Chautauqua	1,532	1,374	11.5	1,210	26.6
Cherokee	3,818	4,191	− 8.9	4,530	− 15.7
Cheyenne	1,498	1,522	− 1.6	1,402	6.8
Clark	616	652	− 5.5	686	− 10.2
Clay	2,988	3,081	− 3.0	3,207	− 6.8
Cloud	4,608	4,543	1.4	4,695	− 1.8
Coffey	2,239	2,253	− 0.6	2,344	− 4.5
Comanche	600	651	− 7.8	614	− 2.2
Cowley	13,473	14,851	− 9.3	13,718	− 1.8
Crawford	11,435	13,145	− 13.0	12,768	− 10.4
Decatur	1,604	1,841	− 12.9	1,639	− 2.1
Dickinson	5,532	5,894	− 6.1	5,898	− 6.2
Doniphan	1,935	1,852	4.5	2,118	− 8.6
Douglas	22,892	23,004	− 0.5	23,899	− 4.2
Edwards	1,314	1,046	25.6	1,147	14.6
Elk	587	630	− 6.8	685	− 14.3
Ellis	14,610	14,921	− 2.1	13,428	8.8
Ellsworth	1,787	2,220	− 19.5	1,931	− 7.4

* Monthly Average for Prior Three Months

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY (Continued)
(thousands of dollars)

County	Sales * Jan. 1981	Sales * Oct. 1980	Change From Oct. 1980 (%)	Sales * Jan. 1980	Change From Jan. 1980 (%)
Finney	16,397	16,832	– 2.6	15,703	4.4
Ford	14,732	15,452	– 4.7	15,147	– 2.7
Franklin	6,267	6,573	– 4.6	7,093	– 11.6
Geary	8,287	8,862	– 6.5	8,384	– 1.2
Gove	1,353	1,484	– 8.8	1,310	3.3
Graham	1,926	1,880	2.4	1,714	12.3
Grant	3,771	3,949	– 4.5	3,647	3.4
Gray	2,114	1,792	17.9	1,792	18.0
Greeley	538	779	– 30.9	530	1.5
Greenwood	3,003	3,174	– 5.4	2,945	2.0
Hamilton	667	846	– 21.1	792	– 15.8
Harper	2,831	3,216	– 12.0	2,874	– 1.5
Harvey	8,838	9,436	– 6.3	9,744	– 9.3
Haskell	1,180	1,309	– 9.9	1,112	6.1
Hodgeman	348	412	– 15.5	389	– 10.7
Jackson	2,011	2,285	– 12.0	2,393	– 16.0
Jefferson	3,325	2,816	18.1	2,759	20.5
Jewell	1,031	1,059	– 2.6	935	10.3
Johnson	126,302	125,339	0.8	126,891	– 0.5
Kearny	599	748	– 19.9	762	– 21.3
Kingman	2,285	2,758	– 17.1	2,768	– 17.5
Kiowa	1,410	1,643	– 14.2	1,461	– 3.5
Labette	7,803	8,282	– 5.8	8,564	– 8.9
Lane	864	815	6.0	889	– 2.9
Leavenworth	12,130	11,800	2.8	12,098	0.3
Lincoln	1,093	1,259	– 13.2	1,195	– 8.5
Linn	1,702	1,711	– 0.4	1,881	– 9.5
Logan	1,824	1,894	– 3.7	2,058	– 11.3
Lyon	13,661	13,833	– 1.2	14,523	– 5.9
McPherson	9,778	10,256	– 4.7	10,114	– 3.3
Marion	3,602	3,713	– 3.0	3,978	– 9.5
Marshall	3,792	3,849	– 1.5	4,251	– 10.8
Meade	1,419	1,523	– 6.8	1,513	– 6.2
Miami	5,982	6,002	– 0.3	6,332	– 5.5
Mitchell	3,463	3,923	– 11.7	3,878	– 10.7
Montgomery	16,798	16,595	1.2	16,072	4.5
Morris	1,374	1,440	– 4.6	1,503	– 8.6
Morton	1,452	1,476	– 1.6	1,242	16.9
Nemaha	3,184	3,420	– 6.9	3,553	– 10.4
Neosho	8,980	9,316	– 3.6	8,340	7.7
Ness	2,356	2,277	3.5	1,952	20.7
Norton	2,287	2,527	– 9.5	2,300	– 0.6
Osage	2,923	3,136	– 6.8	3,401	– 14.0
Osborne	1,783	2,048	– 12.9	1,696	5.1
Ottawa	1,117	1,438	– 22.3	1,251	– 10.7
Pawnee	3,136	3,271	– 4.1	3,116	0.6
Phillips	2,664	2,573	3.5	2,735	– 2.6
Pottawatomie	4,837	5,050	– 4.2	4,808	0.6
Pratt	5,185	5,539	– 6.4	5,451	– 4.9
Rawlins	1,225	1,123	9.1	1,066	15.0
Reno	29,045	29,584	– 1.8	30,324	– 4.2
Republic	2,274	2,293	– 0.8	2,605	– 12.7
Rice	3,450	3,468	– 0.5	3,173	8.7
Riley	14,753	15,301	– 3.6	15,878	– 7.1
Rooks	4,820	4,360	10.5	3,692	30.5

* Monthly Average for Prior Three Months

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY (Continued)
(thousands of dollars)

County	Sales * Jan. 1981	Sales * Oct. 1980	Change From Oct. 1980 (%)	Sales * Jan. 1980	Change From Jan. 1980 (%)
Rush	1,377	1,557	– 11.6	1,342	2.6
Russell	6,798	6,093	11.6	4,958	37.1
Saline	26,674	28,766	– 7.3	28,258	– 5.6
Scott	2,716	3,708	– 26.8	2,635	3.1
Sedgwick	199,262	200,394	– 0.6	201,830	– 1.3
Seward	13,455	12,449	8.1	13,029	3.3
Shawnee	69,530	70,001	– 0.7	72,596	– 4.2
Sheridan	1,292	1,334	– 3.1	1,293	– 0.1
Sherman	4,700	4,521	4.0	4,218	11.4
Smith	1,766	1,997	– 11.6	1,783	– 1.0
Stafford	1,625	1,849	– 12.1	1,567	3.7
Stanton	846	978	– 13.5	819	3.3
Stevens	1,463	1,678	– 12.8	1,557	– 6.0
Sumner	6,252	7,828	– 20.1	5,968	4.8
Thomas	4,400	5,126	– 14.2	4,739	– 7.2
Trego	1,375	1,721	– 20.1	1,375	– 0.0
Wabaunsee	948	1,030	– 8.0	1,125	– 15.8
Wallace	698	714	– 2.2	648	7.8
Washington	2,098	2,027	3.5	2,149	– 2.3
Wichita	1,616	1,987	– 18.7	956	69.0
Wilson	2,413	2,720	– 11.3	2,894	– 16.6
Woodson	923	1,012	– 8.8	1,174	– 21.4
Wyandotte	62,394	61,497	1.5	61,426	1.6

* Monthly Average for Prior Three Months

Source: Tax Research Section
Kansas Department of Revenue

TABLE VI
PRICES RECEIVED BY KANSAS FARMERS
(dollars)

Items	Jan. 1981	Dec. 1980	% change	Jan. 1980	% change	Annual Avg. 1980
Prices Received by Farmers						
Field Crops						
Wheat (bu.)	4.04	4.01	0.7	3.71	8.9	3.75
Corn (bu.)	3.43	3.37	1.8	2.50	37.2	2.85
Sorghum (cwt.)	5.29	5.36	– 1.3	3.85	37.4	4.55
Hay (ton)	71.50	72.00	– 0.7	51.50	38.8	54.92
Soybeans (bu.)	7.58	7.64	– 0.8	5.92	28.0	6.64
Livestock & Products						
Beef Cattle (cwt.)	61.90	61.10	1.3	65.70	– 5.8	64.73
Calves (cwt.)	72.20	71.20	1.4	83.90	– 13.9	75.86
Hogs (cwt.)	40.50	42.80	– 5.4	34.90	16.0	37.92
Lambs (cwt.)	50.10	53.70	– 6.7	67.80	– 26.1	63.66
Sheep (cwt.)	24.30	20.00	21.5	27.30	– 11.0	22.77
Milk (cwt.)	14.30	14.20	0.7	12.80	11.7	13.05

Source: Kansas Crop and Livestock Reporting Service
Kansas State Board of Agriculture

U.S. Department of Agriculture

TABLE VI
PRICES RECEIVED BY KANSAS FARMERS (Continued)
(dollars)

Items	Jan. 1981	Dec. 1980	% change	Jan. 1980	% change	Annual Avg. 1980
Prices Paid by Farmers						
Soybean Meal (cwt.)	15.00	15.50	– 3.2	12.00	25.0	12.58
Bran (cwt.)	9.30	9.40	– 1.1	7.90	17.7	8.30
Beef Conc. (cwt.)	12.00	12.00	0.0	10.00	20.0	10.41
16% Dairy Feed (ton)	196.00	200.00	– 2.0	160.00	22.5	174.58
Hog Conc. (cwt.)	16.10	17.00	– 5.3	13.50	19.3	14.65
Laying Feed (ton)	235.00	235.00	0.0	187.00	25.7	200.75

Source: Kansas Crop and Livestock Reporting Service
Kansas State Board of Agriculture

U.S. Department of Agriculture

TABLE VII
COMMERCIAL BANKING ACTIVITY FOR ALL BANKS
(millions of dollars)

	Jan. 1981	Dec. 1980	% change	Jan. 1980	% change
Kansas—Statewide					
Loans	8,157	8,358	– 2.4	8,064	1.2
Demand Deposits	3,849	4,315	– 10.8	3,971	– 3.1
Time & Saving Deposits	9,929	8,378	18.5	8,846	12.2
Loan-to-Deposit Ratio	59.2%	65.8%		62.9%	
Kansas City (Wyandotte)					
Loans	489	527	– 7.2	528	– 7.4
Demand Deposits	200	233	– 14.2	214	– 6.5
Time & Saving Deposits	610	475	28.4	606	0.7
Loan-to-Deposit Ratio	60.4%	74.4%		64.4%	
Topeka (Shawnee)					
Loans	487	479	1.7	513	– 5.1
Demand Deposits	257	297	– 13.5	300	– 14.3
Time & Saving Deposits	397	391	1.5	550	– 27.8
Loan-to-Deposit Ratio	74.5%	69.6%		60.4%	
Wichita (Sedgwick)					
Loans	1,247	1,266	– 1.5	1,211	3.0
Demand Deposits	821	1,008	– 18.6	789	4.1
Time & Saving Deposits	1,294	1,184	9.3	1,266	2.2
Loan-to-Deposit Ratio	59.0%	57.8%		58.9%	

Source: Research Department
Federal Reserve Bank of Kansas City

Institute for Economic and Business Research

TABLE VII-I
COMMERCIAL BANKING ACTIVITY FOR MEMBER BANKS

(millions of dollars)

	Jan. 1981	Dec. 1980	% change	Jan. 1980	% change
Kansas—Statewide					
Loans	3,673	3,668	0.1	3,631	1.2
Demand Deposits	1,956	1,929	1.4	2,018	− 3.1
Time & Saving Deposits	4,309	3,543	21.6	3,839	12.2
Loan-to-Deposit Ratio	58.6%	67.0%		62.0%	
Kansas City (Wyandotte)					
Loans	203	206	− 1.5	219	− 7.3
Demand Deposits	101	92	9.8	108	− 6.5
Time & Saving Deposits	224	167	34.1	225	− 0.4
Loan-to-Deposit Ratio	62.5%	79.5%		65.8%	
Topeka (Shawnee)					
Loans	256	253	1.2	271	− 5.5
Demand Deposits	167	170	− 1.8	195	− 14.4
Time & Saving Deposits	210	200	5.0	291	− 27.8
Loan-to-Deposit Ratio	67.9%	68.4%		55.8%	
Wichita (Sedgwick)					
Loans	714	717	− 0.4	694	2.9
Demand Deposits	495	550	− 10.0	475	4.2
Time & Saving Deposits	639	574	11.3	605	5.6
Loan-to-Deposit Ratio	63.0%	63.8%		64.3%	

Source: Research Department
Federal Reserve Bank of Kansas City

Institute For Economic and Business Research

TABLE VIII
SAVINGS AND LOAN ACTIVITY

(thousands of dollars)

	Jan. 1981	Dec. 1980	% change	Jan. 1979	% change
Net New Savings	11,900	17,400	− 31.6	15,167	− 21.5
Mortgage Loans Made	56,700	79,100	− 28.3	44,014	28.8

Source: Federal Home Loan Bank of Topeka

April 1981
Vol. 4 No. 8

KANSAS BUSINESS REVIEW

In this issue:

The Potential Impact of Deregulation of Railroad Rates on the Kansas Wheat Market

Michael Babcock

The Kansas Economy

Economic Indicators

Institute for Economic and Business Research, The University of Kansas

BEST AVAILABLE COPY

Kansas Business Review

(USPS 395-310)

April 1981
Vol. 4, No. 8

In This Issue:

	Page
The Potential Impact of Deregulation of Railroad Rates on the Kansas Wheat Market Michael Babcock	1
The Kansas Economy	6
Economic Indicators	8

Advisory Board of the Institute for Economic and Business Research—Professor Robert Cobb, Executive Vice Chancellor; Mr. James H. DeCoursey, Jr., Secretary, Kansas Department of Economic Development; Acting Dean Jack Gaumnitz, School of Business; Vice Chancellor Frances Horowitz; Mr. Carl C. Nordstrom, Executive Vice-President, Kansas Association for Commerce and Industry; Professor Anthony Redwood, Director, Institute for Economic and Business Research; Professor Thomas J. Weiss, Chairman, Department of Economics.

Editorial Staff—Professor Anthony Redwood, Director; Michael Valk, Editor; Janet E. Majure, Associate Editor; Robert H. Glass, John Cita, Robin Hunn, and Sally Kleiner, Research Assistants.

Kansas Business Review is published ten months a year (September-June) by the Institute for Economic and Business Research, 319 Raymond Nichols Hall, The University of Kansas, Lawrence, Kansas 66045. It is designed by the Division of Publications, Office of University Relations.

Manuscripts for publication in *Kansas Business Review* are solicited from readers and should be sent to the editors for consideration.

Opinions expressed in the articles are those of the author(s) and do not necessarily reflect those of The University of Kansas.

The Potential Impact of Deregulation of Railroad Rates on the Kansas Wheat Market

Michael W. Babcock

Dr. Babcock is Associate Professor of Economics at Kansas State University

Introduction

The most significant current development in the transportation sector is deregulation. The Airline Deregulation Act of 1978 and the Motor Carrier Act of 1980 deregulated the airline and trucking industries. The Harley O. Staggers Rail Act of 1980 substantially deregulated the rail industry. The law has a number of provisions intended to raise railroad profitability. The most significant aspect is the greatly increased freedom to increase rail rates.

During the rail deregulation debate, proponents argued that regulation is partially responsible for low rates of return in the rail sector. It prevented railroads from reacting quickly to intermodal competition and to changing market conditions in general. Opponents argued that railroads still possess monopoly power in many markets and that continued rate regulation is necessary to protect "captive" shippers. No precise definition of captive shipper exists, but it is generally considered to include grain shippers on branch rail lines. It can be argued that, in the long run, there is no such thing as a captive shipper since marketing and locational adjustments are possible which would partially or wholly offset the effect of higher rail rates. However, in the short run, rail deregulation may result in a substantial redistribution of income from grain farmers and shippers to railroads.

Objectives and Methodology

The main objective of this study is to determine the impact of deregulation on rail rates in the Kansas wheat market. The popular impression is that rail rates will rise. This view implies that regulation has resulted in lower rail rates than would have otherwise occurred. However, the ability to profitably raise rates depends on the degree of competition in the market. In the Kansas wheat market, railroads face a variety of competitive pressures. There is intermodal competition from truck-barge combinations on long-haul movements. There is also interregional competition. For example, some of the major markets for Kansas wheat are flour mills located in the eastern states. In order for Kansas wheat producers to compete with other hard winter wheat production areas, railroads (and other carriers) serving the Kansas wheat market must price their services accordingly. Also, transportation rates must be low enough to allow U.S. wheat producers to compete in the export market. Empirical evidence indicates that the U.S. would experience a large decrease in wheat exports if the U.S.-delivered price rose above the world price. Therefore, transportation rates must be low enough to allow U.S. wheat producers to compete with other wheat exporting nations.

This type of international competition (in addition to inter-regional competition) in the wheat market is an important constraint on domestic and local transportation rates. However, the principal focus of this paper will be the intermodal competition for shipping Kansas wheat in light of rail rate deregulation and the possibility of subsequent rail rate increases.

The 1977 Kansas wheat market was selected to investigate the potential for rail rate change resulting from deregulation.[1] Thus the supply and demand locations are unique to that year. Also, the quantities shipped between supply and demand points pertain to 1977.[2] Rail rates are compared to competing modal rates for the major movements in this market to determine if railroads can change rates without losing traffic to competing modes. Since cost minimizing shippers will select the least cost mode, the ability of railroads to raise rates depends on the excess of competing modal rates above rail rates.

The 1977 Kansas wheat market can be summarized as follows.[3] In 1977, 291.4 million bushels of wheat were shipped from Kansas country grain elevators. About 70 percent went to terminal grain elevators in Atchison, Kansas City, Topeka, Salina, Hutchinson, and Wichita, Kansas. The remainder was shipped directly to Gulf of Mexico ports for export or to Kansas City flour mills. Of the wheat shipped from Kansas terminal elevators, about 55 percent went to Gulf of Mexico ports for export, 17 percent to flour mills in the east, and the remainder went to Kansas, Missouri, and Oklahoma flour mills. Thus, the major destinations for Kansas wheat are Gulf of Mexico ports, flour mills in the east, and commercial bakeries in the east (ultimate destination of locally milled wheat).

In order to compare modal rates for the above cited destinations of Kansas wheat, the origins must also be specified. To simplify, a point central to each of the major supply area(s) of each terminal city was designated as an origin.

Rail rates for the principal Kansas wheat movements are labeled schedule X-343 (effective November, 1977) and were obtained from sources in the Kansas grain trade. Barge rates and truck rates were obtained from [1] and [11] respectively.[4]

Empirical Results—Export Movements

Table 1 contains rail rates and competitive modal rates for a sample of Gulf of Mexico export movements in the Kansas wheat market. The terminal elevators at Wichita obtain most of their wheat supply from south central Kansas. The major Gulf destination is Houston. The main alternatives to rail shipment are direct truck shipment to Houston and truck-barge shipment to New Orleans via the port of Catoosa, Oklahoma on the Arkansas River. The rail rate is 16 percent below the direct truck rate to Houston. The truck-barge rate is 3-15 percent below the rail rate.

Actually, the excess of the rail rate over the truck-barge combination is somewhat overstated. Barge rates are subject to substantial variation depending on weather and competition for barges. Reduction in water levels due to hot summer weather can result in increased rates. Competition for barges is especially strong in the fall due to the heavy shipment of corn and soybeans on the Mississippi River. In turn, this competition results in higher barge rates for wheat on the Arkansas River as well.

There are other deterrents to use of the truck-barge combination to New Orleans. Due to the large increase in export demand for corn and soybeans, export elevators at New Orleans have chosen to specialize in handling these grains. Thus they have obtained the advantages of product specialization, including reduced handling cost, better access to market information, and established contacts with suppliers. They do not wish to absorb the high handling cost of barges partially loaded with wheat due to low water on the Arkansas River.

Given the qualifications to the truck-barge rate to New Orleans, it is still not unreasonable to presume that it represents a deterrent to an increase in rail rates made possible by deregulation.

The terminal grain elevators at Hutchinson, Kansas obtain the majority of their wheat from south central and southwest Kansas. The principal port destination is Houston. For wheat originating in south central Kansas, the intermodal competitive rates are the same as for wheat shipped from Wichita terminals. Therefore, the same comments as above apply to these movements.

For wheat originating in the southwest part of the state, the alternatives to rail shipment are direct truck shipment to Houston and truck-barge shipment to New Orleans via the port of Catoosa. The rail rate is 31 percent below the truck rate, but only 6-16 percent below the truck-barge rate to New Orleans. As mentioned above, the actual truck-barge cost may be somewhat higher part of the time. The potential intermodal competition, however, appears to limit the potential for rail rate increases though not as much as for wheat originating farther east.

Terminal grain elevators at Kansas City and Atchison, Kansas obtain some wheat from every part of the state except the southwest. However, the greatest supplies come from the north central region. The major port destination is Houston. The main alternatives to rail shipment are direct truck shipment from north central Kansas to Houston or truck-barge shipment to New Orleans via the Missouri and Mississippi Rivers. The rail rate is 20 percent below the truck rate. The truck-barge rate is 3-16 percent below the rail rate. However, barge transport on the Missouri River has all the same difficulties as those on the Arkansas for essentially the same reasons. In addition, the northern sections of the Missouri or Mississippi may freeze in some years. Therefore, the actual cost of the truck-barge movement is higher for part of the year. Again, however, the main point is that truck-barge competition appears to offer limited capacity for rail rate increases due to deregulation.

The principal supply areas of the Topeka grain terminals are north central and northwest Kansas. The major port destination is Houston. For wheat originating in the north central region, the intermodal competitive movements and rates are the same as for wheat shipped from Kansas City. Therefore, the same comments apply to these movements.

For wheat originating in northwest Kansas, the alternatives to rail shipment are direct truck shipment from the area to Houston or truck-barge movement to New Orleans via the Missouri and Mississippi. The rail rate is 20 percent below the truck rate. The truck-barge movement is 1-11.5 percent below the rail rate. Once again the actual truck-barge rate is higher than the rate in Table 1 for a portion of the year. However, the potential truck-barge competition would seem to offer railroads limited potential for rate increases.

The principal supply areas for the Salina grain terminals are north central and central Kansas. The major port destination is Houston. The intermodal competitive movements and rates for north central origin wheat have been discussed above. With respect to the central region, the alternatives to rail shipment are direct truck shipment to Houston and truck-barge shipment to New Orleans. The rail rate is 22 percent below the truck rate. The truck-barge rate is 0-14 percent below the rail rate. Again, truck-barge competition appears to offer little room for rail rate increases.

Empirical Results—Domestic Market Movements of Wheat

The rates for these movements are in Table 2. Approximately 25 percent of the wheat shipments of the northern Kansas terminal grain elevators are to U.S. milling locations east of the Mississippi River. One of the major eastern destinations of wheat shipped from Kansas City-Atchison is Culpepper, Virginia. One of the alternatives to rail shipment is direct truck shipment from Kansas City supply areas to Culpepper. Another alternative is truck shipment to Kansas City combined with barge shipment from Kansas City to Pittsburgh and then truck shipment to Culpepper. The rail rate is 38 percent below the truck rate. The truck-barge-truck combination is 0-11 percent higher than the rail rate. The actual truck-barge-truck rate is higher part of the year for reasons previously mentioned. However, the potential intermodal competition is likely to deter rail rate increases.

Another major wheat destination of Kansas City grain terminals is Statesville, North Carolina. One alternative to rail shipment is direct truck shipment from Kansas City supply regions to Statesville. Another alternative is truck shipment to Kansas City combined with barge shipment from Kansas City to Knoxville, Tennessee and truck shipment to Statesville. The rail rate is

37 percent less than the truck rate and 6-19 percent less than the truck-barge-truck combination.

Chattanooga, Tennessee is another major wheat destination of Kansas City grain terminals. One alternative to rail shipment is direct truck shipment from Kansas City supply areas to Chattanooga. Another alternative is truck shipment to Kansas City coupled with barge shipment from Kansas City to Chattanooga. The rail rate is 31 percent below the truck rate. The truck-barge rate is 10-22 percent below the rail rate.

St. Louis, Missouri is also a major wheat market for Kansas City grain terminals. The alternatives to rail shipment are direct truck shipment and truck-barge shipment. The rail rate is 7.7 percent below the truck rate, and the truck- barge rate is 5-14 percent below the rail rate. As stated above, the actual barge rates are higher than those in Table 2 for part of the year. However, potential intermodal competition on all these movements appears to permit little capacity to raise rail rates.

Culpepper, Virginia and Chattanooga are major markets for Topeka grain terminals. Culpepper is the principal eastern milling market for Salina grain terminals. North central and northwest Kansas are the major supply regions for Topeka; for Salina, central and north central Kansas. The same general pattern of relative modal rates emerges on all these movements. The rail rate is substantially below the truck rate, but the truck-barge rate is either somewhat above or below the rail rate.

In summary, it appears that potential truck-barge competition would prevent substantial rail rate increases on wheat shipped from northern Kansas to eastern U.S. milling locations.

Thus far the analysis has demonstrated that railroads cannot substantially raise their rates without losing traffic, assuming shippers select the least cost mode. However, the impact on rail revenue depends on how much traffic railroads lose. Thus, if higher rail rates more than offset reduced traffic, revenues will increase. Two recent studies have determined that increased rail rates will reduce rail revenue in the southern Kansas-Oklahoma wheat market (see 5, p. 20 and 8, p. 28). This conclusion is based on several important assumptions. One of the most important is that shippers select the least cost mode. Research has demonstrated that in the case of storable goods with relatively stable demands like wheat, relative modal rates are the primary factor in the modal selection (see 7, p. 220).

Another important assumption of these two studies is that the appropriate supply of trucks and barges will be forthcoming if railroads raise rates. This is a reasonable assumption. There are no regulatory barriers to entry because grain trucking and investment requirements are relatively low. In addition, almost all trucking costs are variable so that trucking supply can adjust fairly easily to demand changes. The same is generally true of the barge industry. There are no regulatory barriers to entry, and investment requirements are low relative to railroads though higher than trucking. Since the way is provided at public expense, most barge costs are variable. Thus, barge companies can readily adjust supply to changes in demand. The barge industry is characterized by a relatively large number of small firms, and the same is also true of grain trucking.

The market circumstances of the above cited studies are very similar to this one. The year of analysis, region, transport rates, railroad companies, final markets, and competing modal alternatives are all quite similar to this study. Thus it appears safe to assume that significant rail rate increases in the Kansas wheat market will reduce rail revenue.

It could be argued that, if railroads raise rates, competing modes might raise rates also resulting in increased rail revenue. This is unlikely to occur given the low economic and regulatory barriers to entry in the grain trucking and barge industries.

Empirical Results—Domestic Market Movements of Flour

About 25 percent of the wheat shipments from Kansas grain terminals went to flour mills in Kansas and Kansas City, Missouri. This wheat is milled into flour, and most is sent to large cities in the eastern United States. Most of the flour milling capacity is concentrated in northeast and south central Kansas. Flour mills in the northeast are served primarily by the northern grain terminals of Salina, Topeka, and Kansas City-Atchison. The south central mills obtain most of their wheat from Hutchinson and Wichita. The largest single concentration of milling capacity is in Kansas

Table 1
Wheat Transport Rates—Selected Kansas Origins to Gulf of Mexico Ports*

Kingman, Kansas to Houston or New Orleans (rail transit at Wichita)	
Rail to Houston	93.5
Truck to Houston	111.2
Truck-barge to New Orleans	79.2—90.4
Sublette, Kansas to Houston or New Orleans (rail transit at Hutchinson)	
Rail to Houston	92.5
Truck to Houston	134.4
Truck-Barge to New Orleans	98.8—110.1
Beloit, Kansas to Houston or New Orleans (rail transit at Kansas City)	
Rail to Houston	103.0
Truck to Houston	129.1
Truck-Barge to New Orleans	86.7—99.9
Colby, Kansas to Houston or New Orleans (rail transit at Topeka)	
Rail to Houston	123.0
Truck to Houston	153.4
Truck-Barge to New Orleans	108.8—121.8
Ellsworth, Kansas to Houston or New Orleans (rail transit at Salina)	
Rail to Houston	95.5
Truck to Houston	123.2
Truck-Barge to New Orleans	82.0—95.0

*Rates are in cents per hundred weight (¢/cwt.).

City. Table 3 contains competitive modal rates for flour shipped from Kansas City to various large eastern cities.[8]

Intermodal competition in the transport of flour is much different than the transport market for wheat. The notable difference is that barge transport cannot readily be adapted to ship flour in bulk. Therefore, intermodal competition is much stronger in the wheat market than the flour market. As a result, flour rates are much higher than wheat rates for comparable movements (see 2, p. 14).

An examination of Table 3 reveals that railroads have priced flour slightly below the cost of potential trucking competition. The rail rate is below the truck rate for Chicago, Philadelphia, and Miami by 13.5 percent, 8.3 percent and 12.4 percent, respectively. For Detroit and Cleveland, there is virtually no difference between truck and rail rates. Therefore, it seems unlikely that flour rail rates will increase significantly due to deregulation assuming that flour shippers select the least cost mode.

Conclusions

The major conclusions can be summarized as follows.

1. Deregulation will not produce significant rail rate increases in the Kansas wheat market. Rail rates are marginally below competing modal rates and substantial increases would result in loss of traffic and revenues. Therefore, deregulation will not result in a substantial redistribution of income from farmers and grain shippers to railroads.

2. Railroads might be able to raise rates and increase revenues in the short run because of lack of sufficient truck and barge capacity that shippers would demand in an attempt to reduce their cost. However, railroads would lose revenue in the long run given the low barriers to entry in the grain trucking and barge industries. Railroads realize this and take it into account when adopting long-run pricing strategy. Also, all transport rates will continue to increase due to *cost* increases experienced by rail, truck, and barge companies. Rail rates, however, will not increase significantly due to *deregulation*.

The above conclusions were obtained by holding a number of important factors constant. For example, it has been argued that deregulation of the trucking industry will have important impacts on rail rates for agricultural commodities. The conventional wisdom envisions the following scenario.

1. Free entry into the trucking industry will result in a substantial decline in trucking rates.
2. Railroads will reduce rates on high-valued manufactures to meet trucking competition.
3. In order to maintain profitability, railroads will raise rates in agricultural markets where they have the dominant share of the traffic.

However, current research indicates that the trucking industry is already competitively organized and that free entry will not significantly lower rates

Table 2
Wheat Transport Rates—Northern Kansas to Eastern U.S. Milling Locations*

Beloit, Kansas to Culpepper, Virginia (rail transit at Kansas City)	
Rail	146.5
Truck	237.5
Truck-Barge-Truck	146.7—162.3
Beloit, Kansas to Statesville, North Carolina (rail transit at Kansas City)	
Rail	128.5
Truck	204.6
Truck-Barge-Truck	136.9—153.0
Beloit, Kansas to Chattanooga (rail transit at Kansas City)	
Rail	113.0
Truck	163.4
Truck-Barge	88.3—101.9
Beloit, Kansas to St. Louis (rail transit at Kansas City)	
Rail	80
Truck	86.7
Truck-Barge	68.7—75.9
Colby, Kansas to Culpepper, Virginia (rail transit at Topeka)	
Rail	168.0
Truck	261.5
Truck-Barge-Truck	168.6—184.2
Colby, Kansas to Chattanooga (rail transit at Topeka)	
Rail	134.5
Truck	187.4
Truck-Barge	110.2—123.8
Ellsworth, Kansas to Culpepper, Virginia (rail transit at Salina, Kansas)	
Rail	148.0
Truck	232.3
Truck-Barge-Truck	141.8—157.4

*All rates are in cents per hundred weight (¢/cwt.).

Table 3
Flour Transport Rates—Kansas City to Selected Destinations*

Destination	Rail	Truck
Chicago	119.0	137.5
Cleveland	195.5	193.3
Philadelphia	240.5	262.3
Detroit	182.5	180.8
Miami	252.0	287.7

*Wheat origin assumed to be Beloit, Kansas. All rates are in cents per hundred weight (¢/cwt.).

(see 4, p. 39). Also, the cross price elasticity of rail and truck transport of manufactures is less than 1. This means that railroads could raise rates on manufactures and not lose significant traffic to trucks (see 4, p. 39). It is possible that trucking deregulation may lower truck rates somewhat through increased backhauling. Measurement of this potential impact must await further research. However, even if backhauling does reduce truck rates, it is unlikely that railroads will be able to offset any revenue loss in other markets by raising wheat rates. This action would only reduce revenue from wheat traffic. Thus, it is unlikely that trucking deregulation will have much impact on rail rates in the Kansas wheat market.

The rail deregulation law provides for expedited abandonment decisions and contract rates for large scale shipment of grain. Some have argued that these provisions of the law will strengthen the marketing position of terminal elevators relative to country elevators and that rail service to country locations will deteriorate. Proponents of this view argue that railroads will abandon the transit rate structure after deregulation. Pressure to do so will come from the desire to cut costs by abandoning some branch lines. Also the rail deregulation law prohibits rail rate bureaus from setting joint rates after January 1, 1984. This may result in inter-railroad rate competition on large scale movements from terminal elevators.

It can also be argued that the transit rate system will survive deregulation. Railroads have achieved dominance and high revenues relative to costs with the current elevator system and the transit rate structure. Terminal elevators obtain their wheat supplies over a broad geographic area served by the country elevator system. Railroads have maximized revenue by capturing the traffic at these country points and granting transit rates for movement through terminal locations. Also interrailroad rate competition on large scale movements from terminals may not occur. Competing modal rates on these movements are very high, and there is little incentive for railroads as a group to reduce rates. Presumably railroads know the revenue conseqences of competitive rate reductions in a market characterized by mutual interdependence and relatively homogeneous service.

The conclusions of this paper are given credence by recent pricing behavior of railroads in the Kansas wheat market. For example, railroads have had the authority to enact higher peak season wheat rates since the passage of the 4R Act in 1976 (Railroad Revitalization and Regulatory Reform Act). To date, none of the railroads serving Kansas has exercised this authority. Since the passage of the Staggers Rail Act in October 1980, railroads have negotiated a limited number of contracts providing lower rates for high volume shipment from Atchison and Kansas City to Gulf of Mexico ports. Also since October 1980, rail rates on all commodities as a whole have increased only in direct proportion to increases in rail costs.

Footnotes

1. This market was selected because an extensive study of Kansas wheat movements was conducted in 1977 by the Economics Department at Kansas State University.
2. Selection of 1977 does not sacrifice generality. The major movements in the 1977 Kansas wheat market are essentially the same as those found in previous studies. See (9 and 10).
3. For more detailed information see (3).
4. Barge rates prevailing in 1977 were closely tied to Waterways Freight Bureau Grain Tariff No. 7. These rates are published in (1). The I.C.C. ordered cancellation of this tariff in February, 1976. However the tariff continued to serve as a benchmark for the quoting of rates. Sources in the barge industry indicated that during 1977 the average range of barge rates was between 150% and 200% of the benchmark rate. The barge rates resulting from these percentages will represent the average range of barge rate in this study.

   Truck rates were obtained by using trucking distance cost functions from (11). Given the low margin on unregulated trucking of grain, accuracy is not greatly sacrificed by assuming rates equal to costs.
5. The flour rail rates are those in effect May, 1977. See (2, p. 14) for more discussion of flour rates from Kansas City to eastern locations.
6. A more extensive version of this paper for professional economists will appear in the *Journal of Economics* (M.V.E.A.), Volume VII, 1981 (forthcoming, Fall, 1981).

References

1. Arrow Transportation Company. *Guide to Published Barge Rates on Bulk Grain, Schedule No. 8.* (Sheffield, Alabama, 1972).
2. Babcock, Michael W. "An Empirical Locational Analysis of the Wheat Flour Milling Industry," *Review of Regional Studies,* Winter, 1976, Vol. 6, No. 3, pp. 11-18.
3. Davis, J. H., Sorenson, L. O., Babcock, M. W. Agricultural Experiment Station, Kansas State University, *Market Movements of Kansas Grain 1977* (Manhattan, Kansas, 1980).
4. Friedlaender, A. F. "Issues in Evaluating Transportation Regulation" in *Proceedings of National Symposium on Transportation for Agriculture and Rural America* (Washington, D.C.: U.S. Department of Transportation, 1977).
5. Fuller, S. and Shanmugham, C. V. *Effectiveness of Competitive Forces to Limit Rail Rate Increases on Export Wheat Traffic,* Federal Railroad Administration OPPD-80/7 (NTIS, Springfield, Virginia, 1980).
6. Johnson, Paul R. "The Elasticity of Foreign Demand for U.S. Agricultural Exports," *AJAE,* Nov., 1977, Vol. 59, pp. 735-736.
7. Miklius, W. "Demand for Transportation," *AJAE,* May, 1976, Vol. 58, pp. 217-223.
8. J. C. Shouse and Johnson, M. A. *Anticipated Consequences of Seasonal Railroad Rates in the Oklahoma Wheat Transportation Market,* Agricultural Experiment Station, Oklahoma State University, Research Report P-773 (Stillwater, Oklahoma, 1978).
9. Sorenson, L. O. *Wheat, Milo, Corn, and Soybeans Shipped from Kansas Elevators, June 1, 1971—May 31, 1972: To Where and How,* Agricultural Experiment Station, Kansas State University, Research Paper 24 (Manhattan, Kansas, 1972).
10. Sorenson, L. O. *Wheat Shipments From Kansas, 1972-73,* Agricultural Experiment Station, Kansas State University, Contribution No. 575 (Manhattan, Kansas, 1974).
11. U.S. Department of Transportation, Federal Railroad Administration, *Rail Based Transportation of Export Destined Wheat: An Efficiency Study,* 1980.

The Kansas Economy

General Business

Continuing anxiety colored the economy in the first three months of the year. Various sectors appeared to put out feelers to see whether to make any major expansionary pushes, but no one wanted to go too far. Still, high interest rates no doubt encouraged the wary to hold back. The businesses that were uncertain about how economic factors would affect their income weren't eager to commit themselves to high interest loans that might impair the businesses' flexibility.

Although President Reagan's first congressional victory on the budget cuts had come by February, no one was certain how the economy would react. And although interest rates eased downward, it was clear by April that the rates would head back up if demand rose considerably.

Recently available data on the first quarter of 1981 show healthy signs that the economy is strengthening, but many of the nation's biggest business components were still feeling the effects of economy-wide uncertainty. For example, the gross national product grew an inflation-adjusted 6.5 percent on an annual basis, and productivity (production per worker hour) rose at a seasonally adjusted annual rate of 3.6 percent. A fair amount of that productivity gain is probably attributable to businesses' reluctance to rehire laid-off workers.

Meanwhile, sales of new, single-family homes declined in February by 5.3 percent from January, but the value of building contracts awarded did increase nationally from 1980 levels. That increase is less encouraging than it might seem, considering that February 1980 construction definitely was at low ebb. The total value of the rise in construction contracts also is less than totally encouraging. The 2.0 percent gain incudes a 17 percent increase in nonresidential buildings, less a 4.0 percent decline in residential contracts and a 9.0 percent drop in nonbuilding construction.

Mixed signals abounded in February. Consumer prices rose by 1.0 percent in February (mostly due to fuel-cost increases) while retail sales rose 0.9 percent (thus, retail sales declined in real terms). Car sales, however, were up dramatically by month's end because of industry-wide rebates after January's laggard new-car sales.

All the signs add up to continuing uncertainty. Consumers and businesses alike are trying to decide how to deal with extraordinarily high interest rates during a time of less than robust economic performance. If the economy were booming, few would be as tentative as borrowers are about taking out loans at the high rates. Interest rates might be expected to rise when demand is high, but demand is not as high as would be expected during a business-cycle expansion. In fact, borrowing has stayed virtually flat over the past six months despite recent declines in interest rates.

A quick look at various sales levels bears witness to the sluggish state of the economy. As compared with January, durable-goods sales rose 0.7 percent in February; nondurable-goods sales were up 1.0 percent; and retail sales, excluding automobiles, gained 0.7 percent. Compared with 1980, total retail sales were up 6.4 percent. None of these figures is too encouraging when inflation is taken into account. In fact, it would appear that sales levels in general are not keeping pace with inflation.

Unemployment, meanwhile, was at an unadjusted national rate of 8.0 percent, according to the U.S. Department of Labor, up 1.2 percentage points from February 1980.

What conclusions can be drawn from this economic muddle? Barring some unexpected event to jar the economy out of its sluggishness, probably more of the same. Further, as economic conditions now stand, most sectors can expect only very slight gains with each passing month. One can hope that such slow growth may retard inflation even if it fails to translate into large profit gains for businesses.

Table I reveals a similarly slow state of affairs for the Kansas economy. The average work week and average weekly earnings dipped in February after a promising increase in January. On the other hand, initial claims for unemployment insurance fell 15.4 percent, or 2,102 from January. This decline, however, is at least in part a seasonal phenomenon, as claims typically are high in January. The new claims figure also was well below the 1980 annual average. New in-state for profit incorporations, meanwhile, jumped 38.9 percent from January and moved ahead of the preceding six-month average and the 1980 annual average.

Employment

Overall industry employment remained fairly stable in February, showing a slight upward trend from January, yet still lagging somewhat behind last year's February level (see Table II). While manufacturing employment in durable goods showed little

change from January, the levels remained significantly below those of last year. The fabricated metal products industry showed the most dramatic decline of 11.1 percent compared with February 1980. Nondurable goods employment showed an overall slight decrease from January figures, and a slightly larger decrease of 2.5 percent over last year. The 48.5 percent increase in the petroleum and coal industry did not offset the overall decrease in this category. Mining employment changed only slightly from January but continued to show an increase over last year's level. Employment in this sector may experience gains as the effects of the recent deregulation of oil prices begin to be realized.

Construction employment continued to decline and was 6.8 percent lower than last year's February level. Trade sector employment and service and government employment showed slight gains.

The Kansas labor force increased by 1.0 percent but still remained slightly smaller than last year. Although total employment increased at approximately this same rate, over one half of the rise reflected increases in farm employment. Sharp increases in unemployment for the state showed the effects of continued depressed activity. Seasonal layoffs may partially explain the increase in unemployment from January levels.

Regional employment figures (Table III) also show a decline for the state in February over month-ago and year-ago levels. Of the areas listed, only the Riley County-Manhattan area and the Barton County-Great Bend area showed an improved monthly unemployment rate. Riley County's rate of 4.5 percent was down from January's 4.6 percent level and included an increase in the work force over the month. At 4.5 percent, however, the county still remained above 1980s 4.4 percent level. Barton County, meanwhile, continued not only to show the lowest unemployment rate of the counties listed but also improved its rate, down to 2.3 percent from January's 2.4 percent rate and from February 1980s 2.8 percent rate. This county's rate improvement included a larger work force and fewer unemployed workers.

February's total employment gain of 0.9 percent from January was largely the result of an 11.1 percent increase in farm employment counterbalanced by a 23.9 percent increase in the total number of unemployed workers.

Retail Sales

Retail sales subject to sales tax showed a strong rebound in the three-month period ending in February from the previous three-month period. These increases probably were a result of holiday spending and of a general spending increase from a slow previous quarter. Comparing the figures to year-ago levels shows that the large increase from the preceding quarter merely brought sales levels back to the quarter's expected level.

The decline of 6.8 percent in lumber and building materials over 1980 levels reflects the continuing difficulties being experienced in the construction industry, although sales here did show a slight increase over the previous quarter (see Table IV).

Retail sales by county (Table V) were similar to the sales by category figures—generally up from the preceding three months, but with little gain over 1980. Major retailing centers showed slight gains as a rule over year-ago levels and fairly big increases over the previous three months. Sedgwick County showed a 17.0 percent increase over the preceding quarter and 2.0 increase over 1980; Wyandotte County was up 6.5 percent for the quarter and 0.9 percent for the year; Johnson, up 21.6 percent for the quarter, 3.1 percent for the year; Shawnee, up 17.8 percent for the quarter and down 1.3 percent for this year.

Farm Prices

Prices that farmers received for field crops generally edged downward in February after a year of steady increases. Wheat, which consistently has been the least gainer over the past several months, brought in $3.96 a bushel, down 2.0 percent from January and up 6.2 percent from February 1980. And, although prices were down for corn, sorghum, and soybeans (which led the losers at 6.9 percent decline over the previous month), these crops still drew sizable increases over 1980 levels.

Some of February's declines may be due to fairly strong Southern Hemisphere crop productions which are generally increasing supply and, thus, lowering prices. Overseas demand for soybeans has seemed to decline in recent months, thus eroding the price for that commodity.

As a group, livestock farmers did not fare well. Prices for beef cattle, calves, lambs, and sheep were down by 14.0 percent or more over last year's prices, while feed prices soared by 22.4 percent for beef concentrate. Dairy feed prices rose the most over 1980, up 24.2 percent, but milk was one of only two livestock products that rose in price, up 10.9 percent from 1980. The other price gainer was in hogs, up 15.4 percent as compared with 1980. This price hike may be a result of the 4.0 percent decline nationally in pork production (see Table VI).

Financial Activity

The banking business across Kansas in February reflected the generally stagnant state of the economy (see Tables VII and VII-I). Statewide loans were up a minimal 2.0 percent from 1980 for Federal Reserve member and nonmember banks, hardly the amount of lending activity that would be expected in an expansionary phase. As compared with a month ago, loans held steady overall and actually declined 0.2 percent at member banks. This decline is somewhat surprising considering that interest rates had tended to ease off somewhat in February after January's record high. No new jump in time and savings deposits for the month was recorded, possibly indicating that the move of checking account balances into the interest-paying NOW accounts seen in January will not be an ongoing event. In fact, despite the NOW accounts, time and savings deposits declined from 1980 levels at banks in two major state financial centers, Topeka and Kansas City.

These figures may indicate that Kansans have been investing much of their available reserves in money market mutual funds and similar near-cash instruments because of high inflation and because interest rates at financial institutions are far below what can be earned fairly safely with such funds, many of which include check-writing privileges.

It is uncertain whether the small increase in loan activity is a result of lack of demand by individual and business investors or whether banks are hesitant to lend at a time when they themselves must borrow for their funds as a result of declining deposits.

Net new savings at savings and loans associations plummeted for the same reasons that banks' deposits were off. As investors and savers sought higher interest returns elsewhere, the Kansas savings and loans were left with an 88.2 percent drop in net new savings as compared with February 1980 and an 84.0 percent decline from January levels.

Mortgage loans made at the associations also were down, offering little encouragement for a healthy boost in construction activity (see Table VIII).

Consumer Prices

The Kansas City consumer price index for the two-month period ending in February 1981 shows that all items increased in price by 1.1 percent. For this period, six of the seven major item categories rose in price within a range of 5.7 percent for medical care to 0.6 percent for entertainment. Housing was the lone item to record a decline in cost, down 0.4 percent.

Over the year, all items rose in price by 9.7 percent in Kansas City, a stiff increase but less than the all city U.S. rate of 11.3 percent. The greatest increase was for medical care (13.1 percent); the smallest was for apparel and upkeep (8.7 percent). All other increases were in a range from 11.6 percent for entertainment to 8.9 percent for housing (see Table IX).

TABLE I
GENERAL BUSINESS INDICATORS

	Feb. 1981	Jan. 1981	% change	Avg. Prior 6 mos.	Annual Avg. 1980
Manufacturing					
Average Work Week (hrs.)	39.70	40.80	– 2.7	41.00	40.40
Average Weekly Earnings (dollars)	307.28	314.16	– 2.2	310.95	0.0
Initial Claims for Unemployment Insurance	11,536.00	13,642.00	– 15.4	12,010.00	13,811.00
New Incorporations					
In-State For Profit	432.00	311.00	38.9	405.00	425.00
Out-of-State For Profit	124.00	121.00	2.5	113.00	99.00

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

Kansas Secretary of State

TABLE II
NON-FARM WAGE AND SALARY EMPLOYMENT BY PLACE OF WORK
(thousands)

Industry	Feb. 1981	Jan. 1981	% change	Feb. 1980	% change
All Industries	942.6	942.1	0.1	944.9	– 0.2
Manufacturing	185.1	185.6	– 0.3	199.9	– 7.4
Durable Goods	119.0	119.4	– 0.3	132.1	– 9.9
Stone, Clay, Glass	7.0	7.3	– 4.1	7.7	– 9.1
Primary Metals	3.8	3.8	0.0	4.2	– 9.5
Fabricated Metal Products	12.0	11.9	0.8	13.5	– 11.1
Machinery (incl. elec.)	33.7	33.7	0.0	37.8	– 0.3
Transportation Equipment	50.6	50.5	0.2	56.8	– 10.9
Aircraft & Parts	43.2	43.2	0.0	46.3	– 6.7
Other Durable Goods	11.9	12.2	– 2.5	12.1	– 1.7
Nondurable Goods	66.1	66.2	– 0.2	67.8	– 2.5
Food & Kindred Products	22.9	23.0	– 0.4	23.2	– 1.3
Meat Products	9.1	8.9	2.2	9.8	– 7.1
Apparel	3.2	3.2	0.0	3.6	– 11.1
Printing & Publishing	16.4	16.3	0.6	17.3	– 5.2
Chemicals	8.7	8.7	0.0	9.1	– 4.4
Petroleum & Coal	4.9	5.1	– 3.9	3.3	48.5
Other Nondurable	10.0	9.9	1.0	11.3	– 11.5
Mining	15.9	15.8	0.6	14.3	11.2
Oil & Gas Extraction	14.1	14.0	0.7	12.4	13.7
Contract Construction	38.4	41.1	– 6.6	41.2	– 6.8
Trans., Comm., Elec., Gas	64.0	63.6	0.6	64.4	– 0.6
Wholesale Trade	64.8	65.1	– 0.5	63.7	1.7
Retail Trade	159.7	162.3	– 1.6	157.4	1.5
Finance, Insurance, Real Estate	46.8	47.0	– 0.4	46.3	1.1
Services	174.0	171.9	1.2	167.2	4.1
Federal Government	26.2	26.3	– 0.4	25.6	2.3
State & Local Government	167.7	163.4	2.6	164.9	1.7

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS

Area	Feb. 1981	Jan. 1981	% change	Feb. 1980	% change
Kansas—Statewide					
Civilian Labor Force	1,196,800	1,184,700	1.0	1,198,400	− 0.1
Employed	1,146,000	1,136,300	0.7	1,153,600	− 0.7
Farm	52,000	46,800	11.1	53,200	− 2.3
Non-Farm	1,094,000	1,089,900	0.4	1,100,400	− 0.6
Unemployed	50,800	48,400	5.0	44,800	13.4
Rate	4.2%	4.1%		3.7%	
Lawrence SMSA					
Civilian Labor Force	35,100	34,700	1.2	35,400	− 0.8
Employed	33,500	33,200	0.9	34,000	− 1.5
Farm	600	600	0.0	700	− 14.3
Non-Farm	32,900	32,600	0.9	33,300	− 1.2
Unemployed	1,500	1,500	0.0	1,400	7.1
Rate	4.3%	4.3%		4.0%	
Kansas Portion of Kansas City SMSA					
Civilian Labor Force	266,700	266,700	0.0	264,300	0.9
Employed	253,400	254,100	− 0.3	253,200	0.1
Farm	1,100	1,000	10.0	1,200	− 8.3
Non-Farm	252,300	253,100	− 0.3	252,000	0.1
Unemployed	13,300	12,600	5.6	11,100	19.8
Rate	5.0%	4.7%		4.2%	
Topeka SMSA					
Civilian Labor Force	94,200	93,400	0.9	93,900	0.3
Employed	88,900	88,300	0.7	89,300	− 0.4
Farm	1,500	1,400	7.1	1,600	− 6.3
Non-Farm	87,400	86,900	0.6	87,700	− 0.3
Unemployed	5,300	5,100	3.9	4,600	15.2
Rate	5.6%	5.5%		4.9%	
Wichita SMSA					
Civilian Labor Force	223,200	223,100	0.0	222,600	0.3
Employed	214,500	214,700	− 0.1	215,700	− 0.6
Farm	2,100	1,900	10.5	2,200	− 4.5
Non-Farm	212,400	212,800	− 0.2	213,500	− 0.5
Unemployed	8,700	8,400	3.6	6,900	26.1
Rate	3.9%	3.8%		3.1%	
Barton Co.—Great Bend Area					
Civilian Labor Force	18,125	17,750	2.1	17,650	2.7
Employed	17,700	17,325	2.2	17,150	3.2
Farm	775	675	14.8	775	0.0
Non-Farm	16,925	16,650	1.7	16,375	3.4
Unemployed	425	425	0.0	500	− 15.0
Rate	2.3%	2.4%		2.8%	
Crawford Co.—Pittsburg Area					
Civilian Labor Force	16,825	16,450	2.3	16,825	0.0
Employed	15,850	15,500	2.3	16,000	− 0.9
Farm	675	625	8.0	700	− 3.6
Non-Farm	13,175	14,875	2.0	15,300	− 0.8
Unemployed	975	950	2.6	825	18.2
Rate	5.8%	5.8%		4.9%	
Lyon Co.—Emporia Area					
Civilian Labor Force	17,550	17,400	0.9	17,700	− 0.8
Employed	16,725	16,575	0.9	17,100	− 2.2
Farm	675	625	8.0	700	− 3.6
Non-Farm	16,050	15,950	0.6	16,400	− 2.1
Unemployed	825	825	0.0	600	37.5
Rate	4.7%	4.7%		3.4%	
Montgomery Co.—Coffeyville Area					
Civilian Labor Force	21,200	20,800	1.9	21,300	− 0.5
Employed	20,300	19,975	1.6	20,525	− 1.1
Farm	500	450	11.1	500	0.0
Non-Farm	19,800	19,525	1.4	20,025	− 1.1
Unemployed	900	825	9.1	775	16.1
Rate	4.2%	4.0%		3.6%	
Reno Co.—Hutchinson Area					
Civilian Labor Force	30,400	30,275	0.4	31,925	− 4.8
Employed	28,450	28,400	0.2	30,775	− 7.6
Farm	1,100	1,000	10.0	1,125	− 2.2
Non-Farm	27,350	27,400	− 0.2	29,650	− 7.8
Unemployed	1,950	1,875	4.0	1,150	69.6
Rate	6.4%	6.2%		3.6%	
Riley Co.—Manhattan Area					
Civilian Labor Force	21,775	20,675	5.3	21,800	− 0.1
Employed	20,800	19,725	5.4	20,850	− 0.2
Farm	875	800	9.4	875	0.0
Non-Farm	19,925	18,925	5.3	19,975	− 0.3
Unemployed	975	950	2.6	950	2.6
Rate	4.5%	4.6%		4.4%	
Saline Co.—Salina Area					
Civilian Labor Force	26,400	26,225	0.7	26,500	− 0.4
Employed	25,100	24,975	0.5	25,175	− 0.3
Farm	575	525	9.5	600	− 4.2
Non-Farm	24,525	24,450	0.3	24,575	− 0.2
Unemployed	1,300	1,250	4.0	1,325	− 1.9
Rate	4.9%	4.8%		5.0%	

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE IV
RETAIL SALES SUBJECT TO SALES TAX BY BUSINESS CLASSIFICATION

(millions of dollars)

Business Classification	Feb. * 1981	Nov.* 1980	% change	Feb.* 1980	% change
Apparel	39.9	26.5	50.6	38.7	3.1
Automotive	200.2	186.7	7.2	194.6	2.9
Food	260.7	237.4	9.8	252.9	3.1
Furniture	50.0	41.4	20.8	49.6	0.8
General Merchandise	200.7	135.0	48.7	194.6	3.1
Lumber and Building Materials	92.7	88.9	4.3	99.5	– 6.8
Professional and Personal Service	48.0	42.9	11.9	44.2	8.6
Public Utilities	53.4	47.8	11.7	42.5	25.6
Unclassified	107.3	100.0	7.3	103.7	3.5
Farm and Garden Products	1.1	0.9	22.2	1.1	0.0
Manufacturing and Trading	92.0	83.5	10.2	84.6	8.7
Miscellaneous	4.2	3.1	35.5	2.5	68.0
Total	1150.6	994.5	15.7	1109.0	3.8

* Monthly Average for Prior Three Months

Source: Tax Research Section
Kansas Department of Revenue

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY

(thousands of dollars)

County	Sales * Feb. 1981	Sales * Nov. 1980	Change From Nov. 1980 (%)	Sales * Feb. 1980	Change From Feb. 1980 (%)
Allen	5,768	4,691	22.9	5,901	– 2.2
Anderson	2,172	2,046	6.1	2,645	– 17.9
Atchison	5,270	4,301	22.5	5,393	– 2.3
Barber	2,862	2,355	21.5	2,649	8.0
Barton	33,507	27,278	22.8	27,551	21.6
Bourbon	5,787	4,842	19.5	6,212	– 6.8
Brown	3,749	3,070	22.1	3,872	– 3.2
Butler	18,121	16,434	10.3	16,647	8.9
Chase	960	727	31.9	856	12.1
Chautauqua	1,610	1,339	20.2	1,269	26.9
Cherokee	4,335	3,845	12.7	4,530	– 4.3
Cheyenne	1,648	1,278	28.9	1,652	– 0.3
Clark	628	560	12.0	714	– 12.0
Clay	3,233	2,816	14.8	3,558	– 9.1
Cloud	4,979	4,188	18.9	5,172	– 3.7
Coffey	2,220	2,121	4.7	2,286	– 2.9
Comanche	671	620	8.2	630	6.5
Cowley	15,943	13,039	22.3	15,290	4.3
Crawford	12,919	12,121	6.6	13,480	– 4.2
Decatur	2,031	1,623	25.1	1,683	20.7
Dickinson	6,048	5,413	11.7	6,419	– 5.8
Doniphan	1,982	1,880	5.4	1,840	7.7
Douglas	24,863	22,446	10.8	24,456	1.7
Edwards	1,274	1,081	17.9	1,086	17.3
Elk	671	538	24.6	731	– 8.2
Ellis	16,478	13,294	23.9	14,476	13.8
Ellsworth	1,978	1,949	1.5	1,887	4.8
Finney	18,605	14,534	28.0	16,637	11.8
Ford	16,719	13,724	21.8	16,342	2.3
Franklin	6,901	5,815	18.7	7,630	– 9.5
Geary	9,386	7,816	20.1	9,124	2.9
Gove	1,415	1,320	7.2	1,422	– 0.5
Graham	2,054	1,642	25.1	1,849	11.1
Grant	4,303	3,550	21.2	3,917	9.9
Gray	2,073	1,851	12.0	1,926	7.7
Greeley	614	607	1.3	567	8.4
Greenwood	3,165	3,012	5.1	2,953	7.2
Hamilton	688	664	3.5	780	– 11.8
Harper	3,249	2,772	17.2	3,025	7.4
Harvey	10,233	8,456	21.0	10,639	– 3.8
Haskell	1,278	1,172	9.1	1,120	14.1
Hodgeman	393	369	6.5	375	4.7
Jackson	2,509	1,909	31.4	2,457	2.1
Jefferson	2,616	3,400	– 23.1	2,863	– 8.6
Jewell	1,053	1,064	– 1.0	953	10.5
Johnson	141,836	116,642	21.6	137,627	3.1
Kearny	674	707	– 4.6	778	– 13.4
Kingman	2,471	2,446	1.0	2,897	– 14.7
Kiowa	1,554	1,223	27.1	1,430	8.7
Labette	8,728	7,448	17.2	8,724	0.1
Lane	843	823	2.4	888	– 5.1
Leavenworth	12,872	11,587	11.1	12,750	1.0
Lincoln	1,282	1,156	10.9	1,174	9.2

* Monthly Average for Prior Three Months

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY (Continued)
(thousands of dollars)

County	Sales * Feb. 1981	Sales * Nov. 1980	Change From Nov. 1980 (%)	Sales * Feb. 1980	Change From Feb. 1980 (%)
Linn	1,720	1,609	6.8	1,781	– 3.4
Logan	1,857	1,700	9.2	1,973	– 5.9
Lyon	15,393	12,664	21.5	14,415	6.8
McPherson	10,469	9,551	9.6	10,348	1.2
Marion	3,892	3,309	17.6	4,110	– 5.3
Marshall	4,435	3,378	31.3	4,591	– 3.4
Meade	1,501	1,376	9.1	1,490	0.7
Miami	6,881	5,803	18.6	6,542	5.2
Mitchell	3,819	3,479	9.8	3,988	– 4.2
Montgomery	18,633	15,849	17.6	16,767	11.1
Morris	1,521	1,304	16.6	1,615	– 5.8
Morton	1,465	1,300	12.7	1,338	9.5
Nemaha	3,476	3,152	10.3	3,759	– 7.5
Neosho	9,957	8,352	19.2	8,920	11.6
Ness	2,644	2,047	29.2	2,124	24.5
Norton	2,527	2,304	9.7	2,501	1.0
Osage	3,044	2,796	8.9	3,495	– 12.9
Osborne	2,063	1,860	10.9	1,753	17.7
Ottawa	1,219	1,301	– 6.3	1,264	– 3.5
Pawnee	3,612	2,796	29.2	3,416	5.7
Phillips	2,824	2,443	15.6	2,819	0.2
Pottawatomie	5,468	4,553	20.1	5,174	5.7
Pratt	5,623	4,799	17.2	5,801	– 3.1
Rawlins	1,123	1,093	2.8	1,069	5.1
Reno	31,674	26,824	18.1	32,768	– 3.3
Republic	2,433	2,169	12.2	2,619	– 7.1
Rice	3,786	3,199	18.3	3,372	12.3
Riley	16,407	13,870	18.3	17,176	– 4.5
Rooks	5,052	4,399	14.8	4,094	23.4
Rush	1,531	1,508	1.5	1,480	3.4
Russell	7,189	5,570	29.1	5,710	25.9
Saline	29,758	25,562	16.4	29,828	– 0.2
Scott	2,923	3,488	– 16.2	2,762	5.8
Sedgwick	219,540	187,568	17.0	215,273	2.0
Seward	14,676	11,264	30.3	13,091	12.1
Shawnee	77,206	65,567	17.8	78,240	– 1.3
Sheridan	1,359	1,259	8.0	1,311	3.6
Sherman	4,895	4,234	15.6	4,560	7.3
Smith	1,908	1,807	5.6	1,934	– 1.4
Stafford	1,984	1,578	25.7	1,752	13.3
Stanton	913	849	7.5	863	5.8
Stevens	1,636	1,466	11.6	1,597	2.4
Sumner	6,745	7,059	– 4.4	6,808	– 0.9
Thomas	5,047	4,462	13.1	4,770	5.8
Trego	1,482	1,482	– 0.0	1,338	10.8
Wabaunsee	1,012	933	8.4	1,139	– 11.2
Wallace	741	678	9.2	623	18.8
Washington	2,029	1,979	2.5	2,252	– 9.9
Wichita	1,912	1,732	10.4	953	100.6
Wilson	2,813	2,432	15.7	2,890	– 2.6
Woodson	1,125	899	25.0	1,197	– 6.0
Wyandotte	64,282	60,350	6.5	63,728	0.9

Source: Tax Research Section
Kansas Department of Revenue

TABLE VI
PRICES RECEIVED BY KANSAS FARMERS
(dollars)

Items	Feb. 1981	Jan. 1981	% change	Feb. 1980	% change	Annual Avg. 1980
Prices Received by Farmers						
Field Crops						
Wheat (bu.)	3.96	4.04	– 2.0	3.73	6.2	3.75
Corn (bu.)	3.38	3.43	– 1.5	2.45	38.0	2.85
Sorghum (cwt.)	5.11	5.29	– 3.4	3.89	31.4	4.55
Hay (ton)	71.50	71.50	0.0	49.00	45.9	54.92
Soybeans (bu.)	7.06	7.58	– 6.9	5.92	19.3	6.64
Livestock & Products						
Beef Cattle (cwt.)	62.80	61.90	1.5	75.50	– 16.8	64.73
Calves (cwt.)	71.40	72.20	– 1.1	85.00	– 16.0	75.86
Hogs (cwt.)	41.10	40.50	1.5	35.60	15.4	37.92
Lambs (cwt.)	54.20	50.10	8.2	63.00	– 14.0	63.66
Sheep (cwt.)	25.80	24.30	6.2	30.40	– 15.1	22.77
Milk (cwt.)	14.30	14.30	0.0	12.90	10.9	13.05
Prices Paid by Farmers						
Soybean Meal (cwt.)	14.00	15.00	– 6.7	12.00	16.7	12.58
Bran (cwt.)	9.40	9.30	1.1	8.10	16.0	8.30
Beef Conc. (cwt.)	12.00	12.00	0.0	9.80	22.4	10.41
16% Dairy Feed (ton)	200.00	196.00	2.0	161.00	24.2	174.58
Hog Conc. (cwt.)	15.60	16.10	– 3.1	14.00	11.4	14.65
Laying Feed (ton)	235.00	235.00	0.0	190.00	23.7	200.75

Source: Kansas Crop and Livestock Reporting Service
Kansas State Board of Agriculture

U.S. Department of Agriculture

TABLE VII
COMMERCIAL BANKING ACTIVITY FOR ALL BANKS

(millions of dollars)

	Feb. 1981	Jan. 1981	% change	Feb. 1980	% change
Kansas—Statewide					
Loans	8,159	8,157	0.0	7,999	2.0
Demand Deposits	3,546	3,849	−7.9	3,929	−9.7
Time & Saving Deposits	10,153	9,929	2.3	8,892	14.2
Loan-to-Deposit Ratio	59.6%	59.2%		62.4%	
Kansas City (Wyandotte)					
Loans	481	489	−1.6	511	−5.9
Demand Deposits	194	200	−3.0	214	−9.3
Time & Saving Deposits	602	610	−1.3	606	−0.7
Loan-to-Deposit Ratio	60.4%	60.4%		62.3%	
Topeka (Shawnee)					
Loans	480	487	−1.4	508	−5.5
Demand Deposits	262	257	1.9	294	−10.9
Time & Saving Deposits	446	397	12.3	539	−17.3
Loan-to-Deposit Ratio	67.8%	74.5%		61.0%	
Wichita (Sedgwick)					
Loans	1,248	1,247	0.1	1,202	3.8
Demand Deposits	763	821	−7.1	799	−4.5
Time & Saving Deposits	1,298	1,294	0.3	1,197	8.4
Loan-to-Deposit Ratio	60.6%	59.0%		60.2%	

Source: Research Department
Federal Reserve Bank of Kansas City

Institute for Economic and Business Research

TABLE VII-I
COMMERCIAL BANKING ACTIVITY FOR MEMBER BANKS

(millions of dollars)

	Feb. 1981	Jan. 1981	% change	Feb. 1980	% change
Kansas—Statewide					
Loans	3,674	3,681	−0.2	3,602	2.0
Demand Deposits	1,802	1,949	−7.5	1,997	−9.8
Time & Saving Deposits	4,406	4,309	2.3	3,859	14.2
Loan-to-Deposit Ratio	59.2%	58.8%		61.5%	
Kansas City (Wyandotte)					
Loans	200	203	−1.5	212	−5.7
Demand Deposits	98	101	−3.0	108	−9.3
Time & Saving Deposits	221	224	−1.3	222	−0.5
Loan-to-Deposit Ratio	62.7%	62.5%		64.2%	
Topeka (Shawnee)					
Loans	254	256	−0.8	269	−5.6
Demand Deposits	170	167	1.8	190	−10.5
Time & Saving Deposits	236	210	12.4	285	−17.2
Loan-to-Deposit Ratio	62.6%	67.9%		56.6%	
Wichita (Sedgwick)					
Loans	715	714	0.1	688	3.9
Demand Deposits	460	495	−7.1	482	−4.6
Time & Saving Deposits	641	640	0.2	591	8.5
Loan-to-Deposit Ratio	64.9%	62.9%		64.1%	

Source: Research Department
Federal Reserve Bank of Kansas City

Institute For Economic and Business Research

TABLE VIII
SAVINGS AND LOAN ACTIVITY

(thousands of dollars)

	Feb. 1981	Jan. 1981	% change	Feb. 1980	% change
Net New Savings	1,900	11,900	−84.0	16,161	−88.2
Mortgage Loans Made	41,000	56,700	−27.7	42,229	−2.9

Source: Federal Home Loan Bank of Topeka

TABLE IX
CONSUMER PRICES

Kansas City

Consumer Price Index, February, 1981

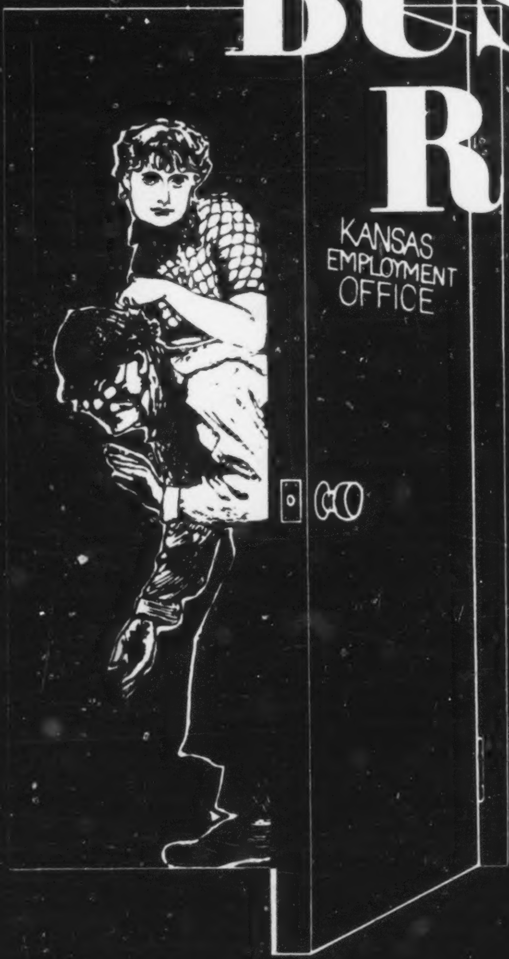
	All Urban Consumers (CPI-U)			Wage Earners and Clerical Workers (CPI-W)		
		Percent change from			Percent change from	
	INDEX 1967 = 100	2 months ago	1 year ago	INDEX 1967 = 100	2 months ago	1 year ago
ALL ITEMS	261.9	1.1	9.7	260.1	1.1	9.9
Food and Beverages	268.8	1.7	9.8	263.2	0.9	9.9
Food	275.8	1.6	10.1	270.0	0.8	10.0
Food at home	268.3	0.9	11.1	264.3	0.3	10.7
Cereals & bakery products	280.0	2.4	15.1	272.6	2.9	11.5
Meats, poultry, fish & eggs	243.5	-2.4	6.5	242.2	-3.1	4.8
Dairy products	242.7	-0.3	6.1	244.5	0.1	7.4
Fruit and vegetables	275.5	4.6	18.1	258.4	1.7	19.1
Other foods at home	320.2	2.5	12.9	318.9	2.3	14.8
Food away from home	298.4	3.1	8.4	288.7	2.0	8.7
Alcoholic beverages	201.1	2.1	5.2	198.4	2.2	8.2
Housing	275.0	-0.4	8.9	271.6	-0.4	9.3
Shelter	302.8	-1.3	8.3	299.1	-1.4	9.0
Rent (residential)	171.7	4.3	11.9	171.7	4.3	11.9
Other rental costs	228.3	2.3	2.5	230.0	2.2	1.8
Homeownership	351.0	-2.1	8.0	345.9	-2.1	8.8
Fuel & other utilities	262.5	2.1	12.7	265.3	2.3	12.8
Fuels	345.1	1.7	14.5	348.4	2.0	14.6
Fuel oil, coal, & bottled gas*	191.4	8.5	16.8	203.7	9.8	17.4
Gas (piped) & electricity	341.1	1.3	14.3	340.9	1.3	14.3
Household furnishings & oper	209.7	1.9	8.2	204.8	1.5	7.4
Apparel & Upkeep	194.0	0.8	8.7	187.6	3.1	7.0
Men's & boys' apparel	205.8	4.2	5.4	202.1	-0.1	1.9
Women's & girls' apparel	172.1	-2.8	4.3	155.4	6.8	4.2
Footwear	205.9	0.8	13.6	221.2	5.6	12.2
Transportation	262.2	3.1	10.9	264.7	3.6	11.1
Private transportation	264.0	3.0	10.5	266.9	3.6	10.8
Public transportation	226.3	4.1	21.7	217.7	3.8	19.2
Medical Care	286.0	5.7	13.1	283.7	3.2	13.6
Medical care services	311.7	6.3	13.6	308.2	3.4	14.3
Entertainment	205.2	0.6	11.6	213.1	0.8	11.3
Other Goods & Services	231.9	1.5	9.2	235.5	1.1	8.7
ALL ITEMS (1957-59 = 100)	310.9			308.8		

* June 1978 = 100

May 1981
Vol. 4 No. 9

U 7095-1 (A)

KANSAS BUSINESS REVIEW


KANSAS
EMPLOYMENT
OFFICE

In this issue:

Assessing Kansas' Latent Labor Force
Daniel W. Francke

The Kansas Economy

Economic Indicators

Institute for Economic and Business Research, The University of Kansas

Kansas Business Review

(USPS 395-310)

May 1981
Vol. 4, No. 9

In This Issue: Page

Assessing Kansas' Latent Labor Force 1
Daniel W. Francke
The Kansas Economy 7
Economic Indicators 9

Advisory Board of the Institute for Economic and Business Research—Professor Robert Cobb, Executive Vice Chancellor; Mr. James H.DeCoursey, Jr., Secretary, Kansas Department of Economic Development; Acting Dean Jack Gaumnitz, School of Business; Vice Chancellor Frances Horowitz; Mr. Carl C. Nordstrom, Executive Vice-President, Kansas Association for Commerce and Industry; Professor Anthony Redwood, Director, Institute for Economic and Business Research; Professor Thomas J. Weiss, Chairman, Department of Economics.

Editorial Staff—Professor Anthony Redwood, Director; Michael Valk, Editor; Janet E. Majure, Associate Editor; Robert H. Glass, John Cita, Robin Hunn, and Sally Kleiner, Research Assistants.

Kansas Business Review is published ten months a year (September-June) by the Institute for Economic and Business Research, 319 Raymond Nichols Hall, The University of Kansas, Lawrence, Kansas 66045. It is designed by the Division of Publications, Office of University Relations.

Manuscripts for publication in *Kansas Business Review* are solicited from readers and should be sent to the editors for consideration.

Opinions expressed in the articles are those of the author(s) and do not necessarily reflect those of The University of Kansas.

CALL FOR PAPERS

The purpose of *Kansas Business Review* is to provide a forum for the dissemination of research studies and reports in the fields of economics and business that would be of special interest and relevance to business persons, public officials, and academicians in Kansas and the Plains Region.

The Editorial Review Board welcomes original manuscripts, studies, and research notes from academicians and other persons in any area of economics, business, and business administration. All submissions will be reviewed initially by the editorial staff and, when judged appropriate, will be sent to referees who are knowledgeable about the content.

Manuscripts for consideration should be typed, double-spaced, and submitted in triplicate. In general, length should not exceed 3,000 words. Authors are reminded of the combined scholarly/practitioner orientation of *Kansas Business Review*, which necessitates the contents being in a form readable by that audience. Accordingly, complex statistical material—when necessary for inclusion—should be included in appendix form.

Submit manuscripts to: Editor, *Kansas Business Review*, The Institute for Economic and Business Research, 319 Raymond Nichols Hall, The University of Kansas, Lawrence, Kansas 66045.

Assessing Kansas' Latent Labor Force

KANSAS
EMPLOYMENT
OFFICE

Daniel W. Francke

Mr. Francke is a Senior Associate with Development Planning and Research Associates (DPRA) of Manhattan, Kansas and was the principal investigator for a study sponsored by the Kansas Department of Economic Development (KDED) and the Sunflower State Private Industrial Council (PIC) to assess the Kansas labor supply with emphasis on latent, hidden, or discouraged workers and the labor reserve.

Acknowledgements

The author acknowledges the support, cooperation, and technical assistance of the Sunflower State PIC, KDED, and the Kansas Department of Human Resources (KDHR); particularly Mary Bogart (PIC), William Thompson (KDED), and Fred A. Rice (KDHR). The author is also grateful to the assistance of other study-team members including Dr. Samuel G. Unger, Project Director, DPRA; Dr. Geneva Hammaker, Project Leader, DPRA; Dr. M. Jarvin Emerson, Kansas State University; and Margaret Ferriter, Data Processing, DPRA.

Introduction

This article is an abstract of the findings and implications of a study commissioned on behalf of the Kansas Department of Economic Development (KDED) by the Sunflower State Private Industrial Council (PIC). The study's purpose was to develop a methodology and models which can measure and document the number of persons in the "latent" labor force.

Additionally, the study addressed the data needs of the Kansas Comprehensive Employment and Training Act (CETA) Private Sector Initiative Program, administered by the Sunflower State Private Industry Council (PIC). The PIC seeks improved local/county estimates on the number of persons eligible for CETA training within the "latent" and normal labor force. The procedures for improving such estimates were also addressed in the study.

The primary research phases of the study were:

1. literature and data search and review,
2. development of county population and labor supply statistical profiles, and
3. preliminary methodology and model development and testing.

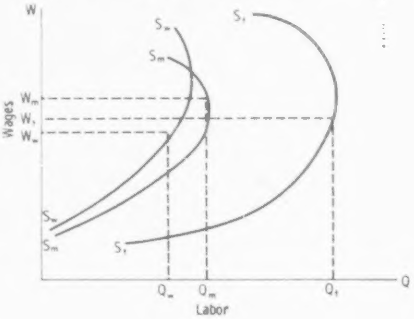
Overview of Labor Supply

Before examining labor supply conditions in Kansas, a general review of the subject is instructive. The review will cover labor supply concepts; general characteristics of labor supply; and other research on regional, state, and local labor conditions.

Most theoretical studies characterize labor supply as a function of wage rates. Under normal conditions, as the wage rate increases the supply of labor increases. However, for the individual and, eventually for the aggregate, a decision must be made at what point work is more valuable than leisure which is a substitute for labor. If rising real wage rates were to result in increased leisure hours, the effect would develop a backward bending labor supply curve as shown in Figure 1.

The long-term decline in both the male-worker participation rate and hours worked concurrent with increases in real rates and family incomes suggests that the supply curve may already be in the backward bending portion for the male component of the labor supply (Wool, 1978).

Figure 1
General Relationship Between Supply of Labor and Wages for Female (w), Male (m), and Total (t) Work Force



CONCEPTS AND TERMINOLOGY

Before examining specific labor force characteristics, it is critical that some of the extensive and varied concepts and terms that pertain to the phenomenon generally referred to as "labor supply" be identified and discussed. For this study, the following terms or concepts were considered most significant, and the analysis centers on them:

Latent Labor: Latent labor is the underemployed portion of the labor force and those persons potentially entering the labor force under certain socioeconomic incentives.

Labor Force Participation Rate (LFPR): The LFPR of a group is the ratio of the sum of employed and unemployed civilian persons from that group to the total civilian population of the group. The aggregate LFPR is the ratio of all civilians employed and unemployed to the total civilian population of work force age, usually 15 years of age or older.

Hidden Unemployment (HU): Empirically, HU is the group of persons not reported as being in the labor force but who would be in the labor force under full-employment or other favorable conditions. More generally, it is the measurement of how much labor is currently available but not utilized.

Labor Reserve (LR): The labor reserve is a concept developed by academic economists to measure how much labor is potentially available.

Nonparticipants (NP): Nonparticipants are equivalent to the difference between total civilian population of a group and total persons in the group employed and unemployed.

Discouraged Workers (DISC): Discouraged workers are those persons wanting a job but not looking because they believe it would be difficult to find work. These individuals are not officially counted as unemployed or in the labor force.

Primary Workers (PLS): Primary workers are male and unmarried female workers between ages of 25 and 54.

Secondary Workers (SLS): Secondary workers are school-aged youth, married women, and persons at or approaching retirement age.

GENERAL LABOR SUPPLY CHARACTERISTICS

Labor supply characteristics often are tied to labor force participation rates (LFPRs) and will be discussed extensively in this paper. Also, because of the considerable interest in the potential for attracting workers from the nonparticipants in Kansas, significant background on nonparticipant categories will also be given.

Labor Force Participation Characteristics: Labor force participation is a concept frequently used to assess labor supply, and extensive data are available on a historical basis for the United States and, to a limited extent, for Kansas and the state counties. The data are generally in the form of labor force participation (LFP) and labor force participation rates (LFPR).

For the U.S., the labor force has obviously grown due to the growth in the economy and in the population. More importantly, there has been a growth in the labor force participation rate (LFPR) which is significant because it shows an overall expansion in the rate of labor supply. Since 1960, the LFPR has grown from 59.4 percent to 63.7 percent in 1979. However, most of this increase is attributable to increased participation by females. The male participation rate has actually declined in recent years, dropping from 83 percent in 1960 to 78 percent in 1978.

It is also interesting to review historical LFPRs by age as well as gender. For males, a general decline in participation rates has taken place for most age groups with the notable exception of 16-19 year olds. In contrast, all female age categories have increased rates of entrance into the labor force with large increases in participation by prime child-rearing age females age 20 to 35. Within this age category, the LFPR increased about 50 percent between 1960 and 1978, going from 36 percent to 58 percent.

The comparison of U.S. and Kansas LFPRs below shows that Kansans of all ages enter the labor force at higher rates for both males and females.

LFPR

	Total		Male		Female	
Year	U.S.	Kansas	U.S.	Kansas	U.S.	Kansas
			(%)			
1970	60.3	58.2	79.2	77.5	42.8	40.3
1976	61.6	65.1	77.4	81.1	47.3	49.9
1978	63.2	67.2	77.9	81.2	50.0	54.9

While no current age group data exist for Kansas' labor force participation rates, 1970 data reveal that Kansans in specific age groups enter the labor force at rates very similar to those for the U.S.

Labor Force Nonparticipation: Kansas economic development promoters are extremely interested in the potential labor supply that is not in the official labor force statistics; that is, in persons outside the labor force who might enter under varying economic and social conditions. Significant research has been completed on this topic, primarily associated with the concepts of "labor reserve" and "hidden unemployment" (Gellner, 1975; Job, 1979). Generally, both of these concepts address nonparticipants but differ in the emphasis given to the degree to which persons associate themselves with the labor force. "Labor reserve" relates to how much labor is potentially available, in other words, the maximum number of nonparticipants that could enter the labor force. "Hidden unemployment" includes that segment of the labor reserve that is more likely to enter the labor force with marginal changes in social and economic conditions or that is not fully utilized under present conditions. Thus, hidden unemployment tends to be a subset of the labor reserve. An additional category is that of "discouraged workers," a subset of hidden unemployment. These are potential workers who want a job but are discouraged from looking for a job and are, thus, not included in labor force data (Gellner, 1975; Job, 1979; Wool, 1978).

An empirical analysis of these concepts has been completed on a national basis that provides insight into the magnitude of these labor supply components for Kansas and local areas. In 1978 for example, in the U.S. there were 58.5 million people of working age who were not in the labor force. This figure compares to a U.S. labor force of 100.4 million and shows that 63.2 percent of the persons 16 and over participate in the labor force while 36.8 percent do not.

The Bureau of Labor Statistics (BLS) also publishes data outlining the various characteristics of persons not in the labor force. For example, in 1978 the total nonparticipants include about 16.6 million (28 percent) males and 41.9 million (72 percent) females (Table 1).

Obviously, a large portion of the nonparticipants do not want a job, and as many as 91 percent gave this reason for not entering the labor force. This reason is given at about an equal rate for both males and females. However, the BLS data do indicate significant variations between males and females on their specific reasons for not entering the labor force. Schooling keeps 22.7 percent of the males from entering the work force and only 8.9 percent of the females (in absolute numbers this reason is about equal by sex). "Home responsibilities" is the major reason for females not being in the labor force as 72.7 percent cited this reason. Retirement is the reason cited by most men.

With certain assumptions, the not-in-labor-force data can be converted to a "labor reserve" estimate. Assuming that ill, disabled, and retired persons have a very low potential for ever entering the labor force, the remaining persons would represent a reasonable estimate for the maximum potential labor supply from persons not in the labor force, a "labor reserve." When making this adjustment, it is estimated that 75 percent of the nonparticipants would be included in the labor reserve. Extensive variation occurs by gender, however, as only 40 percent of the males but 89 percent of the females would be classified as labor reserve.

Table 1
Characteristics of Labor Force Nonparticipants and the Labor Reserve by Reason, Status, and Gender; United States, 1978

	U.S. nonparticipants			Labor reserve components of nonparticipants			Labor reserve characteristics		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Number of Persons (1000)	58,521	16,634	41,887				43,903	6,612	37,291
DISTRIBUTION (%)									
Do not want a job	90.9	89.9	91.3	67.1	31.6	81.2	89.5	79.4	91.3
In school	10.5	18.5	7.3	10.5	18.5	7.3	14.0	46.5	8.2
Ill/disabled	7.7	14.7	5.0	-	-	-	-	-	-
Keeping house	50.4	1.6	69.8	50.4	1.6	69.8	67.2	4.0	78.5
Retired	16.0	43.6	5.1	-	-	-	-	-	-
Other reason	6.2	11.5	4.1	6.2	11.5	4.1	8.3	28.9	4.6
Want job, not looking	9.1	10.1	8.7	7.9	8.2	7.7	10.5	20.6	8.7
In school	2.4	4.2	1.6	2.4	4.2	1.6	3.2	10.6	1.8
Ill/disabled	1.2	2.0	0.9	-	-	-	-	-	-
Keeping house	2.2	0.2	2.9	2.2	0.2	2.9	2.9	0.5	3.3
Think cannot find job (discouraged)	1.4	1.8	1.3	1.4	1.8	1.3	1.9	4.5	1.5
Other reason	1.9	2.0	1.9	1.9	2.0	1.9	2.5	5.0	2.1
TOTAL NOT IN LABOR FORCE	100.0	100.0	100.0						
TOTAL LABOR RESERVE COMPONENT				75.0	39.8	88.9			
ADJ. LABOR RESERVE = 100%							100.0	100.0	100.0

Source: U.S. Bureau of Labor Statistics as reported in the *Statistical Abstract of the United States*, 1979

Table 2
Scott County Population and Labor Supply Profile: 1978

	Total			Male			Female		
	County		Kansas	County		Kansas	County		Kansas
	No.	%	%	No.	%	%	No.	%	%
POPULATION, ALL AGES	6624			3266			3358		
15 and over	4786	72.3	75.9	2377	72.8	74.9	2409	71.7	76.9
65 and over	732	11.1	12.5	315	9.7	10.3	417	12.4	14.5
15-64	4054	61.2	63.4	2062	63.1	64.1	1992	59.3	62.4
15-24	1134	28.0	30.7	566	27.4	31.9	566	28.5	29.8
25-54	2296	56.6	54.4	1175	57.0	53.8	1121	56.3	54.7
55-64	624	15.4	14.8	321	15.6	14.3	303	15.2	15.5
URBAN POPULATION		69.7	66.0		----			----	
TOTAL LABOR FORCE	3159			2117			1042		
PARTICIPATION RATE % OF 15+		66.0	67.2		89.1	81.8		43.3	54.9
EMPLOYMENT	3088			2084			1004		
UNEMPLOYMENT	71			33			38		
RATE OF UNEMPLOYMENT		2.2	3.0		1.6	2.6		3.6	3.7
NOT IN LABOR FORCE	1627			260			1367		
Inmate/institutions	36			10			27		
School	175			67			109		
Disabled	130			17			113		
Other 65 and over	393			117			276		
LABOR RESERVE (AGE 15-64)	1067			116			951		
Discouraged workers (highly recruitable)	19			5			14		
W/Home responsibilities	672			5			667		
Other	376			106			270		
OCCUPATIONAL EMPLOYMENT									
Farm		19.1	5.9		----			----	
Nonfarm		80.9	94.1		----			----	
Manufacturing—% nonfarm		9.7	20.5		----			----	
Mining—% nonfarm		1.4	1.4		----			----	
Construction—% nonfarm		5.6	5.1		----			----	
Trans. & Pub. Util.—% nonfarm		8.3	6.9		----			----	
Trade (R&W)—% nonfarm		33.3	24.1		----			----	
Finance, Insur.—% nonfarm		2.8	4.9		----			----	
Service—% nonfarm		22.2	17.1		----			----	
Government—% nonfarm		16.7	20.0		----			----	

Source: Prepared by OPRA, Inc. for PIC/KDED

Within this labor reserve, a much higher percentage of men than women want a job but are not looking, 20.6 percent versus 8.7 percent. However, because of a much larger reserve, over twice as many women as men want a job but are not looking.

Of the labor reserve individuals, those who "want a job but think they cannot find one," are considered to be the most recruitable. These "discouraged workers" represent 4.5 percent of the males and 1.5 percent of the females, or about 0.2 percent in total.

Recent research indicates that all classes of labor reserve and nonparticipant constituents can enter the labor force at significant rates (Job, 1979). The analysis found that between the year of 1976 and 1977, about 20 percent of nonparticipants or about 25 percent of the labor reserve subsequently entered the labor force within the next year. With regard to activities, those in school are the most likely to enter the labor force; 66 percent did so in the subsequent year. About 45 percent of the "discouraged workers" entered the labor force, and [illegible]n 31 percent of the persons with "no desire for a job" entered the labor force within 12 months. In contrast, "retired" and "ill and disabled" persons showed the lowest entrance rates at 3.8 percent and 10.7 percent, respectively. The low rates justify their exclusion from the labor reserve.

The research also showed that about one fourth of the men and slightly less than one fifth of the women nonparticipants entered the work force. Furthermore, very young people, i.e., those most likely in school, also entered the labor force quite frequently, as 59 percent joined the work force during the period studied (Job, 1979).

Kansas County Population and Labor Supply Profiles

A major task of this study was to develop and organize data profiles on critical labor supply characteristics of counties in Kansas. This task primarily included supplementing conventional county data on labor force size and unemployment data with data on such important labor supply and latent labor factors as male and female labor force participation rates, labor reserve levels, discouraged workers, and general demographic data on cohort population.

The profiles developed provide a much broader and more detailed statistical picture of labor supply conditions in the counties. For each county, these profiles present the following information:

- population by gender and age cohorts;
- urban population;
- total labor force by gender;
- labor force participation rate (LFPR) by gender;
- employment, unemployment, and underemployment rate by gender;
- number of persons not in labor force age 15 and over by gender;
- labor reserve of persons age 15 to 64 by gender and their current status in the labor reserve;
- county occupational employment, farm and nonfarm;
- nonfarm employment categories including manufacturing, mining, construction, transportation and public utilities, retail and wholesale trade, finance and insurance, service, and government.

Table 2, for Scott County, is an example of the kind of in-depth, highly specific profile that can be developed for each Kansas county.

While a comprehensive review of the county profiles is beyond the scope of this article, it is useful to

Table 3
Kansas State and County Labor Force Participation Rates for Total, Male and Female Population: 1978

County	Labor force participation rate (%) Total	Male	Female
Kansas[1]	64.7	84.1	46.5
Allen	65.2	88.4	44.5
Anderson	50.2	70.9	31.2
Atchison	52.9	67.8	38.9
Barber	63.7	87.9	41.1
Barton	62.0	84.4	41.3
Bourbon	64.0	83.6	47.9
Brown	60.6	87.0	37.8
Butler	66.6	90.8	43.9
Chase	52.1	76.0	30.0
Chautauqua	49.7	71.9	30.4
Cherokee	55.3	77.7	35.6
Cheyenne	64.8	89.1	43.4
Clark	56.6	82.0	33.3
Clay	65.5	89.7	43.4
Cloud	61.4	80.3	44.9
Coffey	77.0	95.0	57.0
Comanche	56.6	80.5	35.9
Cowley	60.0	78.1	43.4
Crawford	54.4	74.5	37.0
Decatur	60.6	83.0	38.6
Dickinson	51.7	71.3	33.8
Doniphan	64.2	87.3	40.8
Douglas	61.7	72.7	50.2
Edwards	50.1	71.5	31.1
Elk	57.8	79.5	39.7
Ellis	79.4	98.5	61.1
Ellsworth	57.9	77.7	38.9
Finney	65.1	88.2	43.0
Ford	68.3	89.7	48.5
Franklin	72.6	97.7	50.5
Geary	51.5	54.2	48.8
Gove	58.8	86.4	31.8
Graham	56.7	79.2	34.7
Grant	72.2	95.5	42.2
Gray	66.5	92.0	41.7
Greeley	69.2	96.0	40.1
Greenwood	53.4	73.6	35.0
Hamilton	53.6	70.6	36.3
Harper	53.8	75.2	35.3
Harvey	73.4	96.5	53.2
Haskell	48.4	74.0	22.7
Hodgeman	48.0	68.4	26.6
Jackson	59.6	84.1	37.1
Jefferson	68.4	89.9	47.5
Jewell	54.1	79.6	29.0
Johnson	64.9	85.7	45.5
Kearney	64.9	89.8	39.1
Kingman	50.8	73.6	30.1
Kiowa	61.1	80.4	43.6
Labette	50.6	65.9	37.1
Lane	60.3	89.4	33.3
Leavenworth	46.6	48.3	44.3
Lincoln	47.4	68.8	28.0
Linn	57.5	79.2	36.9
Logan	69.7	82.4	56.3
Lyon	62.8	79.1	47.9
McPherson	72.9	94.3	53.5
Marion	53.6	73.2	35.3
Marshall	53.6	76.8	32.7
Meade	55.7	74.2	37.3
Miami	59.9	80.2	41.6
Mitchell	64.6	93.4	40.3
Montgomery	63.8	86.8	44.0
Morris	52.8	74.6	32.4
Morton	72.4	95.4	48.5
Nemaha	61.3	88.3	36.4
Neosho	63.6	85.2	43.7
Ness	59.6	83.1	38.6
Norton	57.5	79.4	37.0
Osage	69.5	93.8	46.7
Osborne	50.3	74.4	28.0
Ottawa	59.2	83.4	37.8
Pawnee	62.2	76.6	47.4
Phillips	63.7	87.7	41.5
Pottawatomie	75.1	93.9	54.6
Pratt	69.2	93.3	47.3
Rawlins	58.7	80.6	37.5
Reno	65.3	85.6	46.5
Republic	57.2	81.2	35.2
Rice	60.4	79.7	42.3
Riley	63.1	63.7	62.2
Rooks	49.3	69.0	32.1
Rush	53.5	74.5	33.2
Russell	65.1	89.7	42.9
Saline	73.0	94.9	53.7
Scott	66.0	89.1	43.3
Sedgwick	75.5	97.3	55.5
Seward	72.6	91.7	53.7
Shawnee	60.0	74.9	46.8
Sheridan	67.2	96.0	39.7
Sherman	69.9	90.7	49.7
Smith	63.8	91.5	39.3
Stafford	57.9	82.4	36.7
Stanton	64.9	94.9	34.2
Stevens	61.0	86.6	35.2
Sumner	58.3	81.9	36.9
Thomas	75.7	94.7	57.6
Trego	67.3	95.8	42.0
Wabaunsee	54.9	79.5	31.0
Wallace	68.5	92.3	43.4
Washington	59.1	89.0	31.2
Wichita	72.7	98.4	44.1
Wilson	56.1	77.1	37.6
Woodson	49.5	72.5	28.7
Wyandotte	68.0	87.5	51.0

[1] Represents labor force participants as a percent of total population age 15 and over. Data from Kansas Department of Human Resources (HR) and National Cancer Institute (NCR).

	Total	Male	Female
Population (HR) (000)	2359.2	1156.0	1203.2
Percent 15 yrs. old (NCC)	75.9	74.9	76.9
Civilian labor force	1158.0	727.8	430.2
LFPR (%)	64.7	84.1	46.5

This compares to BLS estimates of LFPR for Kansas based civilian population age 16 and over of 67.2, 81.2 and 54.9 for total, males and females respectively. Differences are also attributable to variances in labor force data as BLS reports levels of 1,158,000, 660,000 and 498,000 for total, male and female respectively for 1978.

Source: Development Planning and Research Associates, Inc., 1980.

review selected data to indicate variations in labor supply conditions across the state and to show the significant oversights that can occur by looking primarily at unemployment rates as a proxy for labor supply conditions. An example of such selected data are state and county labor force participation rates (LFPRs) for total, male, and female populations age 15 and over. These estimates for 1978 are shown in Table 3.

The LFPRs are based on Kansas Department of Human Resources' labor force data and National Cancer Institute updates of 1970 Bureau of Census population data. These data show that although Kansas LFPR average 74.7 percent for the total population age 15 and over, 84.1 percent for males and 46.7 percent for females, there are large differences among counties within the state. For example, total LFPRs range from 79.4 percent in Ellis County in central Kansas to 46.6 percent in Leavenworth County in northeast Kansas. Although some of the variance is caused by definitional factors, e.g., Leavenworth County includes a larger segment of military (noncivilian) employment, significant labor supply variations still exist in terms of the ability to attract persons into the labor force. Furthermore, this measure does not consider the potential for the increased utilization of underemployed persons, which also varies from county to county.

There are also large differences in participation rates of males and females across Kansas counties. Male labor force participation rates range from 98 percent in Franklin and Wichita counties to 66 percent in Labette County. Several counties exhibit labor force participation rates below 72 percent, including Anderson, Chautauqua, Dickinson, Edwards, Hamilton, Lincoln, and Rooks. (Some counties have even lower LFPRs that primarily reflect definitional problems regarding civilian employment. The lowest LFPRs for males exist in counties with large military (noncivilian employment.) These rates compare to a state average LFPR of 84.1 percent for males. Furthermore, all of these counties except Labette (4.0 percent) had 1978 unemployment rates of 3.0 percent or less. This suggests that unemployment rates can indeed be a poor indicator of local labor conditions as these counties appear able to draw a significantly greater percent of males into the labor force.

A similar situation exists for the female cohort in various counties. While very high labor force participation rates in some counties suggest little available surplus, other counties are far below state and federal averages and should be able to supply significant increases in female labor. Again, conventional unemployment data for women in Kansas counties is relatively stable and quite low which could mislead potential developers if used as the prime variable for assessing potential labor supply.

Model Analysis of County Labor Supply Characteristics

While the newly-developed county profile data discussed above provide an improved statistical overview and summary of local labor supply conditions, major unanswered questions concerning the potential for change in the local labor supply still remain. For example, how "tight" is the labor supply? What is the potential for increasing specific county labor force participation? What are the impacts of changes on certain socioeconomic-demographic variables on labor supply characteristics for a particular county?

In an attempt to answer these and other questions, a statistical analysis

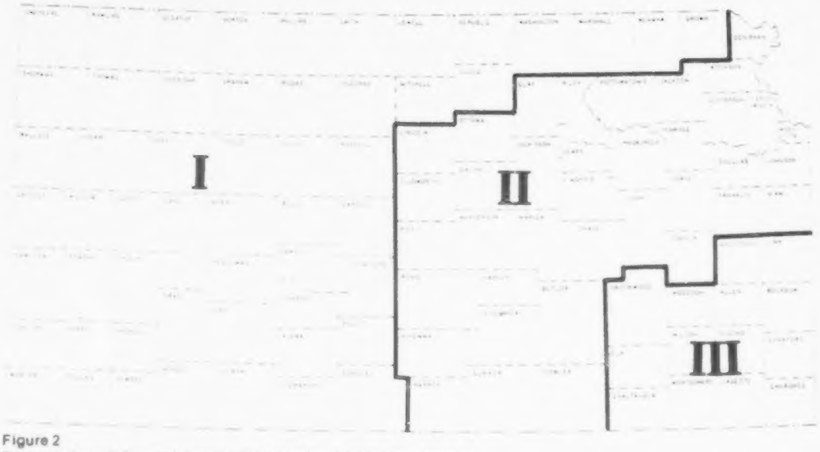


Figure 2
Demarcation of General Kansas Regions for Model Development
I. North/West II. Industrial Crescent III. Southeast

was performed, and models were developed to examine county labor supply characteristics. The analysis provided models that:

incorporated simplified statistical model design and results that can be understood by industrial development prospects;

evaluated labor supply conditions on a county basis; and

effectively used current secondary county data and can incorporate new data to keep the model up-to-date.

The modeling procedure included development of theoretical models reflecting conventional labor supply relationships. These models statistically tested for significance by regression analysis. Regression analysis, a well-known procedure for testing and developing models, indicates the relationship between a dependent variable, such as LFPR, and one or more independent variables such as per capita income, county industrialization, and county agricultural income.

During the course of the study, it became apparent that alternative models would be required to assess county labor supply conditions. While this step increased the complexity of the analysis, it also increased the practicality, usefulness, and accuracy of the models and their resultant estimates. Specifically, alternative models were developed to reflect:

differences in county labor supplies for males, females, and the total population, and

differences attributable to major regional variations across the state.

To estimate differences by gender, labor supply models were developed to estimate labor force participation rates for all persons (LFPR), for males (LFPRM), and for females (LFPRF).

To allow for general regional differences, the state and counties were initially divided into three regions: 1. northern and western counties, 2. "industrial crescent" counties, and 3. southeastern counties.

The exact demarcation of these regions is shown in Figure 2. The three-region demarcation represents a general demographic-economic division of the state as identified by KDED officials. This general division also reflects statistical considerations that require a relatively large number of counties be included in each region.

While these three regions portray rather unique geographic and economic structures, additional analysis determined that labor supply characteristics apparently can be addressed with only a two-region demarcation that aggregates the northern and western counties with the southeastern counties. This essentially results in a rural-agricultural group of counties and a more urban "industrial crescent" group. Characteristics of the regions indicate that the 68 rural-agricultural counties (64 percent) contain only 28 percent of the Kansas population and 22 percent of the state's private nonfarm income but 67 percent of its farm income. This leaves 72 percent of the population and 88 percent of the private nonfarm income accounted for by the remaining 37 counties (35 percent), those of the "industrial crescent" group.

The model development and subsequent analysis resulted in the selection of six models with which to evaluate potential labor supply changes in Kansas counties. The models assess labor supply in terms of changes in labor force participation rates. The models are in multivariable linear form and were developed for each of the following labor force participation rates (LFPR) for the year 1978:

LFPR78ra: total labor force, rural-agricultural counties (Regions I and III, Figure 2);

LFPRM8ra: male labor force, rural-agricultural counties;

LFPRF8ra: female labor force, rural-agricultural counties;

LFPR78ic: total labor force, "industrial crescent" counties (Region II, Figure 2);

LRPRM8ic: male labor force, "industrial crescent" counties; and

LRPRF8ic: female labor force, "industrial crescent" counties.

The models include variables that approximate changes in income, local economic conditions, job availability, and population characteristics. Regression analysis indicates that the models will usually explain 60-70 percent of the variation in labor force participation, a rate considered highly significant based on standard statistical test criteria. The models can assess county or multi-county changes in a local labor supply in response to such an event as locating a manufacturing firm in a given location.

For example, consider a manufacturer assessing the potential for establishing a 100-employee plant in Scott County, Kansas. A review of the unemployment data would suggest insufficient labor conditions as only 2.2 percent or 77 persons are unemployed. However, the plant would have significant impacts on the labor supply through improved job opportunities and increased income, and the plant might easily attract persons into the labor force to supplement potential employees from the unemployment ranks.

Using the appropriate model for Scott County (a rural-agricultural county) indicates that the labor supply response would probably be sufficient to staff the plant. The appropriate model being:

LFPR78ra = .4325 − .0371 RATE 78 + .4420 C5-9-F + .0178 YCAP78 + .0178 + .0038 AGEM78P where

RATE78 = County unemployment rate, 1978

C5-9-F = Ratio of number of children age 5-9 to number of females in county, 1978

YCAP78 = County per capita income ($1000), 1978

AGEM78P = Percent of agricultural employment to total employment, 1978.

Specifically, if unemployment could be dropped 25 percent, the labor force participation rate would increase .020 (.0371 x .25 x 2.2 percent unemployment). This figure would be equivalent to about 100 additional persons entering the labor force (.020 x 4786).

A new plant would also stimulate labor force participation through economic linkages from increased income in the county. The model reflects this effect as measured by changes in per capita income (YCAP78). Assuming personal income would increase about $1,000,000 (100 employees, average $10,000 per employee), then per capita income would increase about $150 per income. This would have the effect of increasing labor force participation by 0.3 percent (.0178 x .150).

The proposed development would also reduce the percentage of agricultural employment in the county by increasing nonfarm and total employment. The model suggests that this result would have a positive although small effect on participation as well. The direct effect of increasing total employment by 100 persons would change the percentage of agricultural employment from 19.1 percent to 18.5 percent, the consequence of which would be an expected increase of 0.2 percent (.0038 x 0.6) in participation.

The location of a 100-employee firm would have no immediate and direct impact on the children-to-women ratio (C5-9-F), as it is a fixed demographic control on labor supply.

In total, then, a new 100-employee manufacturing plant could expect to see the following additions to the labor supply due to the incentives it would provide:

Labor Supply Factor	Resultant Change in LFPR	
Decrease in unemployment rate	.020	
Increase in per capita income	.003	
Decrease in percent of agricultural employment	.002	
Change in children-to-women ratio	none	
Aggregate effect on participation rate	+ .025	
Aggregate effect on labor supply	+ 120	persons (.025 x 4786)

In summary, the participation model indicates that about 100 persons would transfer out of the labor reserve of 1,070 persons into the labor force in direct response to a 100-employee manufacturer locating in Scott County. This increase would be supplemented by the labor supplied from the 77 unemployed persons in Scott County by local underemployed persons and by labor from neighboring counties and migration. In general, labor supply would not appear to be a major obstacle to a 100-employee manufacturer locating in Scott County.

OTHER CONSIDERATIONS

Two important considerations in determining the total labor supply are the number of underemployed and those whose low income indicates their eligibility for CETA programs. Although this study acknowledges the importance of these two components of the labor supply, no estimation of the number of workers in these categories could be made with the existing secondary data. A comprehensive survey of the labor force is one feasible method of enumerating CETA-eligible persons and of identifying the underemployed workers (those having part-time or intermittent employment rather than the desired full-time and those having employment at a skill level below that for which they were trained).

A third consideration that influences a states' labor supply is its migration characteristics. The dynamic relationship between migration and local and regional labor supplies has been investigated extensively. The KDED study includes a literature review which discusses several of the more significant investigations of this relationship. The review focuses on labor reallocation in response to market needs, including a specification of economic opportunity, a specification of the labor force, and migration and distance.

To the extent that Kansas economic development is dependent on a redistribution of a suitable labor force, it was found that the promotion of environmental qualities may be of major importance and serve to induce people to move by overcoming distance and wage differentials.

Implications

It should be noted that both the statistical profiles and models developed are, of necessity, but brief abstracts of reality. Labor supply conditions respond to a complex set of economic, demographic, social, and cultural conditions for which precise data are not available. Consequently, profiles and relationships can be addressed for only a few important variables in the hope that these facilitate understanding of a few major labor supply conditions.

However, the study does indicate that labor supply analysts and potential industrial developers should—and now can—review a much broader data base for Kansas counties and, with the models developed in this study, obtain insight into the potential for increasing the local labor supply by drawing persons into the labor force. Moreover, potential county employers can assess the gender mix of present and potential labor force entrants and can combine several counties to evaluate labor reserve or potential from a multicounty labor shed-area.

As mentioned, the study was designed to facilitate periodic update. It is recommended that such plans be completed as insights would be obtained on more current conditions than 1978 and extensive knowledge would be obtained on county-by- county changes that are occurring across the state of Kansas.

BIBLIOGRAPHY

1. Bowen, William G. and T. Aldrich Finegan. 1969. *The Economics of Labor Force Participation*, Princeton University Press.

2. Development Planning and Research Associates, Inc., 1980. *Kansas Labor Supply Assessment with Emphasis on Latent Labor Components*, for the Sunflower State Private Industrial Council and Kansas Department of Economic Development, Manhattan, KS.

3. Gellner, Christopher G. 1975. "Enlarging the Concept of a Labor Reserve," *Monthly Labor Review*, April.

4. Job, Barbara Cottman, 1979. 'How Likely Are Individuals to Enter the Labor Force?" *Monthly Labor Review*, September.

5. Wool, Harold. 1978. *Discouraged Workers, Potential Workers, and National Employment Policy*, National Commission for Manpower Policy, Special Report 24, Washington, D.C., June.

The Kansas Economy

General Business

The past few years have been a humbling experience for economic forecasters. One of the results has been a diminished sense of certainty when forecasters point to the expected future. A second result has been a breakdown in the "pack" discipline which has, in the past, meant that most forecasters have pointed in the same direction. Now, several "packs" have developed, all pointing in different directions or pointing in the same direction for different reasons. With such diversity of opinion, with economists ranged across the field of economic possibilities, it would seem that little new of a shocking nature could develop. Then came the preliminary estimates for the GNP's first quarter growth rate—a 6.6 percent increase in real terms on an annual basis. Very few economists expected that large a surge in GNP, and as they were scratching their heads trying to explain what seemed an unexpected, temporary aberration, the Commerce Department revised the estimated first quarter real GNP growth rate upward—8.4 percent on an annual basis.

Now seems to be an appropriate time to check the playing field of economic forecasters and separate those still playing from the red-faced deserters. There are respected economists on Wall Street who contend that the first quarter GNP figures are not an aberration, that, in fact, forecasters have consistently underestimated the underlying strength of the economy. These economists see inflationary forces building, forcing the Fed to react to the inflationary pressures either by expanding the money supply or holding the line on the money supply thereby causing interest rates to shoot up again. In contrast to these economists, there are traditional Keynesian economists who treat the first quarter GNP figures as a deviation. They argue that the economy is moving at a sluggish rate; thus, both interest rates and inflation rates will drop in the next couple of quarters. Another "pack" of players still on the field are the monetarists. Their view is that because the Fed tightened the money supply near the end of 1980, the coming quarters will have slow growth with a decline in inflation rates. There are other monetarists of a more pessimistic stamp who contend that the Fed's severe tightening of the money supply last year will cause a recession in the middle quarters of this year.

Although there is nothing like the consensus that previously existed, most forecasters do not expect the second quarter's growth rate to be anywhere near the first quarter's. In fact, there is already evidence gathered to show a spring slump. Personal income rose by 0.6 percent in April, which was the slowest rate of growth since May 1980. However, the 1981 version of the "spring slump" should be much milder than the 1979 and 1980 versions.

The first quarter of 1981 represents a possible turnaround for the Kansas economy. The Kansas economy performed sluggishly in 1980, although well above the level of the national economy. The first quarter of 1981 saw initial claims for unemployment drop 16.7 percent below the level of the first quarter of 1980. This phenomenon is in direct contrast to the 1980 performance of the Kansas economy when each quarter's initial claims for unemployment were up significantly over the previous year's. Another sign of rebound on the part of the Kansas economy was the significant gain registered in the average work week from first quarter 1980 to first quarter 1981. There have been other good signs for the Kansas economy such as the lifting of the grain embargo against the Soviet Union. And finally, the shifting away from social programs toward military expenditures in the Reagan budget should help more than hurt the Kansas economy. One aspect of the Reagan package that could hurt the Kansas economy is the desire to move away from farm subsidy. However, on the whole, the future of the Kansas economy looks brighter today than it did a year ago.

Employment

Although total nonfarm wage and salary employment for Kansas in March 1981 was below the March 1980 figure, it was only slightly below the March 1980 figure, an 0.2 percent drop, and this is a hopeful sign. For nearly a year, Kansas employment has been running consistently below the level of the year previous. The March 1981 figure represents a significant closing of the gap.

In the past, the major cause for the drop in Kansas employment has been the manufacturing sector, specifically the durable goods sector. This sector continued to compare poorly with its performance a year ago: manufacturing employment was down 7.1 percent and durable goods manufacturing employment was down 9.5 percent. The one manufacturing sector which appears to be doing well is the petroleum and coal production industry. However, the first quarter 1980 figures for employment in this industry were artificially low due to some temporary layoffs. If March 1981 figures are compared to December 1979 or April 1980, then there has been little actual change in employment in this industry.

The lag in manufacturing employment was nearly made up for by the steady growth of most of the other major industries. The industry showing the largest percentage growth from a year ago was mining (9.6 percent), and nearly all of its growth was in the oil and gas extraction sector (11.8 percent). This growth in employment reflects the large increase in oil prices over the past few years which have made formerly marginal wells profitable. The only other major industry besides manufacturing to experience a significant decline since a year ago was contract construction (5.6 percent). The drop in employment in contract construction is due almost entirely to the high interest rates of the past few years.

Statewide, the Kansas unemployment figure dropped below the 4.0 percent level in March—further evidence for a turnaround in the Kansas economy. The unemployment rate for March 1980 was slightly lower than for March 1981; however, this gap is also closing. This same pattern was also apparent in most of the regional statistics supplied to *KBR* by the Research Division of the Department of Human Resources. The one regional area which had a much higher rate of unemployment in March 1981 than in March 1980 was Reno County (Hutchinson). This was in large part due to the closing of an aircraft factory there last year.

Retail Sales

Nationally, retail sales rose 0.4 percent in March but then declined in April 1.0 percent, the first monthly decline since May 1980. Kansas retail sales were stronger for the first quarter of 1981 than for the fourth quarter of 1980. However, if the first quarter of 1981 is compared to the first quarter of 1980, a different story emerges. Although retail sales were up 3.3 percent over this period, if inflation is taken into account, there was nearly a 10 percent decline in retail sales over this period. And although first quarter 1981 was stronger than fourth quarter 1980, the March figures for retail sales indicate that retail sales are softening. Retail sales for apparel were down over 30 percent from the average of the three previous months, and furniture sales were down over 20 percent from the average of the three previous months.

The western half of Kansas experienced more growth in retail sales over the past year than the eastern half of Kansas. In western Kansas, the two leading retail trade centers which did well were Finney County (Garden City) and Ellis County (Hays). The major retail trade centers in Kansas, all of which are located in the eastern half of the state, experienced growth of between 0 and 5.0 percent over the past year (Sedgwick County, 3.2 percent; Shawnee County, 0.8 percent; Wyandotte County, 0.5 percent; and Johnson County, 2.5 percent). However, if inflation is taken into account, then these modest increases were actually significant drops in retail trade.

Farm Prices

The farm situation in Kansas has become difficult to assess in the past month due to the heavy amounts of rain and scattered frost received in parts of Kansas. The abundant moisture will help some crops, but it could damage others—for example, wheat. This apprehension because of the weather must be balanced with the report by the Department of Agriculture of record plantings this year. Finally, Kansas farmers probably will benefit from the lifting of the grain embargo to the Soviet Union: certainly it will broaden the direct market for Kansas grain production, and it may have some effect on prices.

Prices Kansas farmers received for field crops generally dropped slighly in March as the effects of last year's drought ease somewhat. However, the fact that March 1981 prices are significantly higher than a year ago indicates that the drought is still affecting prices, particularly hay prices. Calves and beef cattle prices also fell in March and remained significantly below last year's prices. Hog prices also dropped in March but were up nearly 20 percent above a year ago—indicating more how bad last year was than how good this year is. The prices paid by farmers for feed charged little in March but are still running ahead of the inflation rate for the past year except for hog concentrate.

Financial Activity

After over a year and a half of the Fed experimenting with a monetarist approach to monetary policy, two criticisms of this strategy made long ago by Keynesian economists are proving initially to have some validity. First, as Keynesians predicted, controlling the money supply is much more difficult than it sounds in textbooks: a slow steady growth rate for the monetary aggregates is a worthy goal, but the Fed still seems to be searching for a way to make that goal a reality. Second, the Fed warned that interest rates would be slightly more volatile, but Keynesians have always said that they would be extremely volatile if all the Fed did were to concern itself with monetary aggregates. Interest rates have certainly become volatile, and, as Keynesians argued, this effect has created a new element of uncertainty for business to concern itself with. And, instead of allowing businesses to focus on long-run capital investment, the instability has placed a premium on short-run money management.

The most striking aspect of the Kansas banking statistics for March is the fact that loans were up only slighly above the previous year, and, if inflation is taken into account, then loans were actually below last year's level by about 10 percent. Also, the loan-to-deposit retio was below the level of a year ago.

The situation for savings and loan institutions continues to oscillate between bad and worse. In March, mortgage loans made registered slight increases, although they remained well below the levels of a couple of years ago. The worse news was that in March Kansas savings and loans experienced negative savings.

TABLE I
GENERAL BUSINESS INDICATORS

	Mar 1981	Feb 1981	% change	Avg Prior 6 mos.	Annual Avg 1980
Manufacturing					
Average Work Week (hrs.)	40.80	39.70	2.8	41.00	40.40
Average Weekly Earnings (dollars)	313.75	307.28	2.1	313.03	0.0
Initial Claims for Unemployment Insurance	9,506.00	11,536.00	- 17.6	11,297.00	13,811.00
New Incorporations					
In-State For Profit	460.00	432.00	6.5	416.00	425.00
Out-of-State For Profit	129.00	124.00	4.0	119.00	99.00

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

Kansas Secretary of State

TABLE II
NON-FARM WAGE AND SALARY EMPLOYMENT BY PLACE OF WORK

(thousands)

Industry	Mar 1981	Feb 1981	% change	Mar 1980	% change
All Industries	950.2	942.6	0.8	952.3	- 0.2
Manufacturing	185.9	185.1	0.4	200.1	- 7.1
Durable Goods	119.6	119.0	0.5	132.2	- 9.5
Stone, Clay, Glass	7.2	7.0	2.9	7.8	- 7.7
Primary Metals	3.5	3.8	- 7.9	4.2	- 16.7
Fabricated Metal Products	12.0	12.0	0.0	13.9	- 13.7
Machinery (incl. elec.)	33.9	33.7	0.6	38.0	- 10.8
Transportation Equipment	50.7	50.6	0.2	56.1	- 9.6
Aircraft & Parts	43.0	43.2	- 0.5	45.7	- 5.9
Other Durable Goods	12.3	11.9	3.4	12.2	0.8
Nondurable Goods	66.3	66.1	0.3	67.9	- 2.4
Food & Kindred Products	22.7	22.9	- 0.9	23.2	- 2.2
Meat Products	8.8	9.1	- 3.3	9.7	- 9.3
Apparel	3.3	3.2	3.1	3.6	- 8.3
Printing & Publishing	16.6	16.4	1.2	17.4	- 4.6
Chemicals	8.7	8.7	0.0	9.0	- 3.3
Petroleum & Coal	4.9	4.9	0.0	3.3	48.5
Other Nondurable	10.1	10.0	1.0	11.4	- 11.4
Mining	16.0	15.9	0.6	14.6	9.6
Oil & Gas Extraction	14.2	14.1	0.7	12.7	11.8
Contract Construction	40.8	38.4	6.3	43.2	- 5.6
Trans., Comm., Elec., Gas	64.4	64.0	0.6	64.4	0.0
Wholesale Trade	65.2	64.8	0.6	64.3	1.4
Retail Trade	160.9	159.7	0.8	159.0	1.2
Finance, Insurance, Real Estate	47.0	46.8	0.4	46.6	0.9
Services	175.3	174.0	0.7	168.5	4.0
Federal Government	26.2	26.2	0.0	26.3	- 0.4
State & Local Government	168.5	167.7	0.5	165.3	1.9

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS

Area	Mar 1981	Feb 1981	% change	Mar 1980	% change
Kansas—Statewide					
Civilian Labor Force	1,204,900	1,196,800	0.7	1,209,700	- 0.4
Employed	1,158,900	1,146,000	1.1	1,167,100	- 0.7
Farm	56,600	52,000	8.8	57,900	- 2.2
Non-Farm	1,102,300	1,094,000	0.8	1,109,200	- 0.6
Unemployed	46,000	50,800	- 9.4	42,600	8.0
Rate	3.8%	4.2%		3.5%	
Lawrence SMSA					
Civilian Labor Force	35,100	35,100	0.0	35,600	- 1.4
Employed	33,700	33,500	0.6	34,200	- 1.5
Farm	700	600	16.7	700	0.0
Non-Farm	33,000	32,900	0.3	33,500	- 1.5
Unemployed	1,400	1,600	- 12.5	1,400	0.0
Rate	4.0%	4.6%		3.9%	
Kansas Portion of Kansas City SMSA					
Civilian Labor Force	266,700	267,200	- 0.2	265,500	0.5
Employed	254,700	253,700	0.4	255,000	- 0.1
Farm	1,200	1,100	9.1	1,200	0.0
Non-Farm	253,500	252,600	0.4	253,800	- 0.1
Unemployed	12,000	13,500	- 11.1	10,500	14.3
Rate	4.5%	5.1%		4.0%	
Topeka SMSA					
Civilian Labor Force	94,300	94,200	0.1	94,500	- 0.2
Employed	89,600	88,800	0.9	90,100	- 0.6
Farm	1,700	1,500	13.3	1,700	0.0
Non-Farm	87,900	87,300	0.7	88,400	- 0.6
Unemployed	4,700	5,400	- 13.0	4,400	6.8
Rate	5.0%	5.7%		4.7%	
Wichita SMSA					
Civilian Labor Force	225,300	223,600	0.8	225,800	- 0.2
Employed	216,900	214,900	0.9	218,300	- 0.6
Farm	2,300	2,100	9.5	2,400	- 4.2
Non-Farm	214,600	212,800	0.8	215,900	- 0.6
Unemployed	8,400	8,700	- 3.4	7,500	12.0
Rate	3.7%	3.9%		3.3%	
Barton Co.—Great Bend Area					
Civilian Labor Force	18,200	18,125	0.4	17,850	2.0
Employed	17,875	17,700	1.0	17,425	2.6
Farm	825	775	6.5	850	- 2.9
Non-Farm	17,050	16,925	0.7	16,575	2.9
Unemployed	325	425	- 23.5	425	- 23.5
Rate	1.8%	2.3%		2.4%	
Crawford Co.—Pittsburg Area					
Civilian Labor Force	16,725	16,800	- 0.4	16,825	- 0.6
Employed	15,825	15,825	0.0	16,050	- 1.4
Farm	750	700	7.1	775	- 3.2
Non-Farm	15,075	15,125	- 0.3	15,275	- 1.3
Unemployed	900	975	- 7.7	775	16.1
Rate	5.4%	5.8%		4.6%	
Lyon Co.—Emporia Area					
Civilian Labor Force	17,725	17,575	0.9	17,775	- 0.3
Employed	16,950	16,725	1.3	17,150	- 1.2
Farm	750	675	11.1	750	0.0
Non-Farm	16,200	16,050	0.9	16,400	- 1.2
Unemployed	775	850	- 8.8	625	24.0
Rate	4.4%	4.8%		3.5%	

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS (Continued)

Area	Mar 1981	Feb 1981	% change	Mar 1980	% change
Montgomery Co.—Coffeyville Area					
Civilian Labor Force	21,375	21,175	0.9	21,525	- 0.7
Employed	20,600	20,275	1.6	20,775	- 0.8
Farm	550	500	10.0	550	0.0
Non-Farm	20,050	19,775	1.4	20,225	- 0.9
Unemployed	775	900	- 13.9	750	3.3
Rate	3.6%	4.3%		3.5%	
Reno Co.—Hutchinson Area					
Civilian Labor Force	30,000	30,400	- 1.3	32,150	- 6.7
Employed	28,225	28,450	- 0.8	31,000	- 9.0
Farm	1,175	1,100	6.8	1,225	- 4.1
Non-Farm	27,050	27,350	- 1.1	29,775	- 9.2
Unemployed	1,775	1,950	- 9.0	1,150	54.3
Rate	5.9%	6.4%		3.6%	
Riley Co.—Manhattan Area					
Civilian Labor Force	21,575	21,625	- 0.2	21,750	- 0.8
Employed	20,725	20,650	0.4	20,850	- 0.6
Farm	950	875	8.6	975	- 2.6
Non-Farm	19,775	19,775	0.0	19,875	- 0.5
Unemployed	850	975	- 12.8	900	- 5.6
Rate	3.9%	4.5%		4.1%	
Saline Co.—Salina Area					
Civilian Labor Force	26,475	26,400	0.3	26,700	- 0.8
Employed	25,275	25,100	0.7	25,575	- 1.2
Farm	625	575	8.7	650	- 3.8
Non-Farm	24,650	24,525	0.5	24,925	- 1.1
Unemployed	1,200	1,300	- 7.7	1,125	6.7
Rate	4.5%	4.9%		4.2%	

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE IV
RETAIL SALES SUBJECT TO SALES TAX BY BUSINESS CLASSIFICATION

(millions of dollars)

Business Classification	Mar.* 1981	Dec.* 1981	% change	Mar.* 1980	% change
Apparel	35.8	31.5	13.7	36.5	- 1.9
Automotive	184.2	200.9	- 8.3	181.2	1.7
Food	263.0	249.1	5.6	248.8	5.7
Furniture	47.0	44.9	4.7	48.0	- 2.1
General Merchandise	176.7	151.5	16.6	186.3	- 5.2
Lumber and Building Materials	86.3	94.0	- 8.2	86.8	- 0.6
Professional and Personal Service	45.6	46.3	- 1.5	42.2	8.1
Public Utilities	54.3	52.5	3.4	45.5	19.3
Unclassified	101.7	106.1	- 4.1	98.1	3.7
Farm and Garden Products	1.0	1.0	0.0	1.0	0.0
Manufacturing and Trading	88.2	90.4	- 2.4	77.7	13.5
Miscellaneous	5.4	3.1	74.2	2.6	107.7
Total	1089.7	1072.0	1.7	1055.3	3.3

* Monthly Average for Prior Three Months

Source: Tax Research Section
Kansas Department of Revenue

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY

(thousands of dollars)

County	Sales * Mar. 1981	Sales * Dec. 1980	Change From Dec. 1980 (%)	Sales * Mar. 1980	Change From Mar. 1980 (%)
Allen	5,455	5,091	7.1	5,457	0.0
Anderson	2,128	2,087	2.0	2,430	- 14.5
Atchison	5,161	4,659	10.8	4,981	3.6
Barber	2,716	2,519	7.8	2,515	8.0
Barton	33,608	29,242	14.9	25,549	31.5
Bourbon	5,316	5,453	- 2.5	5,561	- 4.4
Brown	3,456	3,279	5.4	3,527	- 2.0
Butler	17,733	17,018	4.2	15,474	14.6
Chase	721	854	- 15.6	724	- 0.5
Chautauqua	1,567	1,418	10.5	1,152	36.0
Cherokee	4,114	4,071	1.1	4,381	- 6.1
Cheyenne	1,528	1,423	7.4	1,534	- 0.4
Clark	603	622	- 3.1	640	- 5.8
Clay	2,984	2,849	4.7	3,332	- 10.5
Cloud	4,834	4,289	12.7	4,957	- 2.5
Coffey	1,926	2,229	- 13.6	2,358	- 18.3
Comanche	673	648	3.8	595	13.2
Cowley	15,767	13,053	20.8	14,210	11.0
Crawford	12,681	12,264	3.4	12,677	0.0
Decatur	1,836	1,746	5.1	1,564	17.4
Dickinson	5,619	5,636	- 0.3	6,027	- 6.8
Doniphan	1,878	1,975	- 4.9	1,700	10.5
Douglas	24,756	23,064	7.3	23,422	5.7
Edwards	1,197	1,149	4.2	1,061	12.9
Elk	593	624	- 4.9	673	- 11.8
Ellis	16,382	13,836	18.4	13,624	20.2
Ellsworth	1,777	1,942	- 8.5	1,776	0.1
Finney	18,562	15,872	16.9	16,035	15.8
Ford	16,085	14,116	13.9	15,206	5.8
Franklin	6,479	6,093	6.3	7,222	- 10.3
Geary	9,675	7,884	22.7	8,469	14.2
Gove	1,351	1,317	2.6	1,294	4.4
Graham	1,933	1,874	3.2	1,647	17.4
Grant	4,202	3,609	16.4	3,726	12.8
Gray	1,771	2,088	- 15.2	1,710	3.5
Greeley	533	647	- 17.6	480	1.1
Greenwood	3,175	2,956	7.4	2,760	15.0
Hamilton	628	695	- 9.6	744	- 15.7
Harper	3,078	2,888	6.6	3,008	2.4
Harvey	10,144	8,676	16.9	10,440	- 2.8
Haskell	1,093	1,335	- 18.2	990	10.4
Hodgeman	358	366	- 2.4	397	- 9.8
Jackson	2,216	2,125	4.3	2,307	- 3.9
Jefferson	2,379	3,331	- 28.6	3,276	- 27.4

* Monthly Average for Prior Three Months

The University of Kansas
Kansas Business Review (USPS 395-310)
May 1981 Vol. 4 No. 9

Published ten months a year (September-June) by the Institute for Economic and Business Research, The University of Kansas, Lawrence, Kansas 66045. Second-Class postage paid at Lawrence, Kansas 66045.

BEST COPY AVAILABLE

~~PHILADELPHIA, PENNSYLVANIA 19104~~
CONGRESSIONAL INFO. SERVICE
SRI ACQUISITION COPY 2
4520 EAST-WEST HI-WAY #800
WASHINGTON, D.C. 20014

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY (Continued)
(thousands of dollars)

County	Sales Mar. 1981	Sales Dec. 1980	% Change From Dec. 1980	Sales Mar. 1980	% Change From Mar. 1980
Jewell	1,012	1,049	3.6	790	28.2
Johnson	136,254	[illegible]	[illegible]	122,911	[illegible]
Kearny	807	724	[illegible]	699	[illegible]
Kingman	2,506	2,521	0.5	2,591	3.2
Kiowa	1,419	1,434	1.1	1,279	[illegible]
Labette	8,332	7,704	8.1	8,261	0.9
Lane	792	[illegible]	[illegible]	[illegible]	[illegible]
Leavenworth	12,830	[illegible]	[illegible]	[illegible]	8.4
Lincoln	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Linn	1,818	1,644	[illegible]	[illegible]	[illegible]
Logan	1,621	1,836	[illegible]	1,649	[illegible]
Lyon	15,841	13,482	18.2	13,909	12.8
McPherson	10,572	10,113	4.5	10,203	3.6
Marion	3,724	3,602	3.4	3,958	5.9
Marshall	4,190	3,725	12.5	4,066	3.0
Meade	1,448	1,520	4.7	1,410	[illegible]
Miami	8,561	8,037	6.5	8,022	6.7
Mitchell	3,608	3,450	4.6	3,737	3.5
Montgomery	18,715	16,089	16.3	15,829	18.2
Morris	1,385	1,361	1.7	1,412	1.9
Morton	1,490	1,314	13.4	1,275	16.9
Nemaha	3,078	3,268	5.8	3,574	13.9
Neosho	9,392	9,411	[illegible]	8,419	11.6
Ness	2,370	2,329	1.8	1,890	25.4
Norton	2,443	2,248	8.7	2,237	9.2
Osage	2,810	2,928	4.0	3,114	9.7
Osborne	1,805	1,807	0.1	1,679	7.5
Ottawa	1,138	1,167	2.5	1,165	2.3
Pawnee	3,570	3,083	15.8	3,107	14.9
Phillips	2,852	2,657	7.3	2,757	3.7
Pottawatomie	5,078	4,699	8.1	4,394	15.6
Pratt	6,014	4,817	24.8	5,397	11.4
Rawlins	1,134	1,143	0.7	965	17.5
Reno	31,570	27,183	16.1	31,474	0.3
Republic	2,364	2,319	2.0	2,051	15.3
Rice	3,669	3,393	8.1	3,118	17.7
Riley	16,484	14,934	10.5	16,851	2.2
Rooks	5,474	4,417	23.9	3,615	52.0
Rush	1,552	1,515	2.4	1,337	16.1
Russell	7,407	5,659	30.9	5,461	35.6
Saline	29,313	26,419	11.0	28,070	4.4
Scott	2,816	2,525	11.5	2,475	13.8
Sedgwick	215,337	198,796	8.3	208,570	3.2
Seward	14,834	12,079	22.8	12,319	20.4
Shawnee	75,028	67,559	11.1	73,637	1.8
Sheridan	1,232	1,360	9.4	1,104	11.5
Sherman	4,502	4,370	3.0	4,056	11.0
Smith	1,786	1,779	0.4	1,758	1.6
Stafford	1,948	1,747	11.5	1,676	16.2
Stanton	768	831	7.6	778	1.2
Stevens	1,683	1,521	10.6	1,521	10.7
Sumner	6,576	6,863	4.2	6,545	[illegible]
Thomas	4,418	4,846	8.8	4,499	1.8
Trego	1,439	1,423	1.1	1,224	17.6
Wabaunsee	942	993	5.1	995	5.3
Wallace	647	721	10.3	551	17.4
Washington	1,762	2,217	20.5	2,229	20.9
Wichita	1,730	1,884	8.2	855	102.3
Wilson	2,970	2,568	15.6	2,745	8.2
Woodson	1,102	965	14.2	1,066	3.5
Wyandotte	60,830	62,301	2.4	60,520	0.5

Source: Tax Research Section
Kansas Department of Revenue

TABLE VI
PRICES RECEIVED BY KANSAS FARMERS
(dollars)

Items	Mar 1981	Feb 1981	% change	Mar 1980	% change	Annual Avg 1980
Prices Received by Farmers						
Field Crops						
Wheat (bu.)	3.83	3.96	3.3	3.48	10.1	3.75
Corn (bu.)	3.31	3.38	−2.1	2.47	34.0	2.85
Sorghum (cwt.)	5.05	5.11	−1.2	3.83	31.9	4.55
Hay (ton)	70.00	71.50	2.1	47.00	48.9	54.92
Soybeans (bu.)	7.13	7.06	1.0	5.56	28.2	6.64
Livestock & Products						
Beef Cattle (cwt.)	59.70	62.80	4.9	69.20	13.7	64.73
Calves (cwt.)	67.80	71.40	5.0	80.50	−15.8	75.88
Hogs (cwt.)	38.50	41.10	6.3	32.10	19.9	37.92
Lambs (cwt.)	55.80	54.20	3.0	67.80	−17.7	63.66
Sheep (cwt.)	26.50	25.80	2.7	24.70	7.3	22.77
Milk (cwt.)	14.10	14.30	−1.4	12.80	10.2	13.05
Prices Paid by Farmers						
Soybean Meal (cwt.)	14.00	14.00	0.0	12.00	16.7	12.58
Bran (cwt.)	9.30	9.40	−1.1	8.20	13.4	8.30
Beef Conc. (cwt.)	12.00	12.00	0.0	10.00	20.0	10.41
16% Dairy Feed (ton)	196.00	200.00	−2.0	161.00	21.7	174.58
Hog Conc. (cwt.)	15.50	15.60	−0.6	14.50	6.9	14.65
Laying Feed (ton)	230.00	235.00	−2.1	189.00	21.7	200.75

Source: Kansas Crop and Livestock Reporting Service
Kansas State Board of Agriculture

U.S. Department of Agriculture

TABLE VII
COMMERCIAL BANKING ACTIVITY FOR ALL BANKS
(millions of dollars)

	Mar. 1981	Feb. 1981	% change	Mar. 1980	% change
Kansas—Statewide					
Loans	8,159	8,159	0.0	7,984	2.2
Demand Deposits	3,465	3,546	−2.3	3,811	−9.1
Time & Saving Deposits	10,749	[illegible]	0.9	8,839	16.0
Loan-to-Deposit Ratio	58.5%	59.6%		63.1%	
Kansas City (Wyandotte)					
Loans	481	481	0.0	503	−4.4
Demand Deposits	188	194	−3.1	201	−6.5
Time & Saving Deposits	616	602	2.3	610	1.0
Loan-to-Deposit Ratio	59.8%	60.4%		62.0%	
Topeka (Shawnee)					
Loans	467	480	−2.7	500	−6.6
Demand Deposits	253	262	−3.4	285	−11.2
Time & Saving Deposits	462	446	3.6	524	−11.8
Loan-to-Deposit Ratio	65.3%	67.8%		61.8%	
Wichita (Sedgwick)					
Loans	1,240	1,248	−0.6	1,185	4.6
Demand Deposits	770	763	0.9	797	−3.4
Time & Saving Deposits	1,278	1,298	−1.5	1,141	12.0
Loan-to-Deposit Ratio	60.5%	60.6%		61.1%	

Source: Research Department
Federal Reserve Bank of Kansas City

Institute for Economic and Business Research

TABLE VII-I
COMMERCIAL BANKING ACTIVITY FOR MEMBER BANKS
(millions of dollars)

	Mar. 1981	Feb. 1981	% change	Mar. 1980	% change
Kansas—Statewide					
Loans	3,674	3,674	0.0	3,595	2.2
Demand Deposits	1,761	1,804	−2.4	1,937	−9.1
Time & Saving Deposits	4,448	4,406	1.0	3,836	16.0
Loan-to-Deposit Ratio	59.2%	59.2%		62.3%	
Kansas City (Wyandotte)					
Loans	200	200	0.0	209	−4.3
Demand Deposits	95	98	−3.1	101	−5.9
Time & Saving Deposits	226	221	2.3	224	0.9
Loan-to-Deposit Ratio	62.3%	62.7%		64.3%	
Topeka (Shawnee)					
Loans	247	254	−2.8	264	−6.4
Demand Deposits	164	170	−3.5	185	−11.4
Time & Saving Deposits	244	236	3.4	277	−11.9
Loan-to-Deposit Ratio	60.5%	62.6%		57.1%	
Wichita (Sedgwick)					
Loans	710	715	−0.7	679	4.6
Demand Deposits	464	460	0.9	480	−3.3
Time & Saving Deposits	631	641	−1.6	563	12.1
Loan-to-Deposit Ratio	64.8%	64.9%		65.1%	

Source: Research Department
Federal Reserve Bank of Kansas City

Institute for Economic and Business Research

TABLE VIII
SAVINGS AND LOAN ACTIVITY
(thousands of dollars)

	Mar 1981	Feb 1981	% change	Mar 1980	% change
Net New Savings	−19,000	1,900	−1100.0	32,153	−159.1
Mortgage Loans Made	61,000	41,000	48.8	53,004	15.1

Source: Federal Home Loan Bank of Topeka